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Polish Voters Keep Brakes On Walesa's 2d-Term Bid

Early Soundings Show The President Trailing His Ex-Communist Foe

Compiled by Our Staff From Dispatches

WARSAW — Alexander Kwasniewski, a former Communist, was running just ahead of President Lech Walesa on Sunday in the Polish presidential elections, according to an unofficial survey based on a sample of official returns.

The sample, taken by the OBOP institute from 1,018 out of 22,000 polling stations, put Mr. Kwasniewski in the lead with 51.3 percent to 48.7 percent for Mr. Walesa. Earlier exit polls had put Mr. Walesa marginally ahead.

The sample, based on official returns, carries significantly more weight than the exit polls.

The result, if confirmed by full official returns late on Monday, would transfer the last bastion of power in the country to former Communists who have controlled Parliament and government since 1993 parliamentary elections.

It would be a bitter defeat for Mr. Walesa, the founder of the Solidarity trade union who led Poles to victory over communism only six years ago.

Mr. Walesa faced a nation divided over whether it still needed a symbol of freedom to lead its drive for democratic reform.

Five years after three of every four voters tapped the former Solidarity hero for president in the first free election here, this election turned into the most tightly contested races in Eastern Europe since the fall of communism.

Mr. Walesa, whose popularity ratings plummeted during his often combative presidency, urged voters to remember why Poland once fought the Communist party.

Mr. Kwasniewski, a career politician and former minister of sports in the old regime, emerged as a formidable candidate early in the race by successfully portraying himself as a Communist-turned-social democrat who evolved alongside Poland. Even as he cast his vote on Sunday, in a suburban area of Warsaw, Mr. Kwasniewski shrugged off reporters' queries about Poland's future.

"I'm sure there are no fears," he said. "If Mr. Walesa wins, it's democracy in Poland. If I win, it will be democracy in Poland."

(Reuters, WP)



President Jiang Zemin of China, left, with Vice President Al Gore at the APEC summit on Sunday in Osaka, Japan.

China Vows to Slash Most Import Tariffs

Drive to Join World Trade Body Gets New Boost at Asia Summit

By Michael Richardson
International Herald Tribune

OSAKA, Japan — In a dramatic move designed to enhance China's status as a world economic power, President Jiang Zemin said Sunday that two-thirds of the country's tariffs on imports would be slashed by at least 30 percent next year.

The Chinese package, which officials said also included substantial cuts in non-tariff barriers and important currency reforms, was the largest single trade liberalization since China began opening its markets in 1979.

In making the announcement at a summit meeting of APEC, the Asia-Pacific Economic Cooperation forum, the Chinese leader was clearly seeking to win support for Beijing's bid for membership in the World Trade Organization from Japan and other countries in the region, as well as the United States.

Joining the WTO, the body that regulates global trade, would give China formal international recognition of its emergence as a major economic power.

Vice President Al Gore, after meeting with Mr. Jiang in Osaka, said Sunday that China's reform package was "an important step down the pathway" that Washington had recently laid out for Beijing to follow as a condition of American support for China's entry to the world trade body.

Mr. Gore, standing in for President Bill Clinton at the APEC meeting, said that China's new reforms "must be interpreted as part of a process of opening and harmonizing in a manner that is calculated to lead to the meeting of all the necessary

requirements for WTO membership." He indicated, however, that the United States still expected China to make further progress in bringing its market reforms in line with strict world trade standards before Washington would finally support Beijing's bid.

China's trade-reform package was included in a series of voluntary trade measures announced Sunday by the 18 APEC member nations as a "down payment" on their program to achieve free and open trade and investment in the region by 2020.

But most of the other packages had previously been announced or were accelerations of earlier measures.

The packages are to be followed by further liberalization offers by each country in time for the next annual meeting of the group in the Philippines late next year.

In a joint declaration read Sunday on the steps of the 400-year-old Osaka Castle by Prime Minister Tomichi Murayama of Japan, the APEC leaders said they would implement their liberalization blueprint with "unwavering resolve," although Prime Minister Mahathir bin Mohamad of Malaysia continued to insist that the accord was nonbinding.

Beijing's announcements in Osaka, and Washington's statements in response, could signal the beginning of a new era in global trade relations for China.

Until recently, U.S. officials were saying that Beijing still had to satisfy American concerns on 25 or more outstanding disputes, including enforcement of a bilateral agreement to protect intellectual property

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Bosnia Peace Talks, Down to the Wire, Could 'Go Either Way'

Compiled by Our Staff From Dispatches

DAYTON, Ohio — The Bosnia peace talks will conclude on Monday with either the initialing of an accord to end a 43-month war in the former Yugoslav republic or with a breakdown in efforts to settle it, the U.S. State Department said Sunday.

In a briefing designed to keep maximum pressure on the leaders of Bosnia, Serbia and Croatia as they make final decisions on war or peace, the State Department spokesman, Nicholas Burns, said that the talks could "go either way" but that the United States was prepared to call off the negotiations if agreement was not

reached by the end of the day. He said that an event had been scheduled for Monday at 10 A.M. that could either be a ceremony to initial a peace agreement or announce that 19 days of intensive effort had ended in failure.

In what was widely seen as a sign of hope, President Franjo Tudjman of Croatia flew to Dayton saying he had been told an agreement was expected to be initialled Monday. Mr. Burns, however, continued to try to put a lid on expectations, contending that Mr. Tudjman must have received some incorrect information from his delegation at the talks.

The draft agreements on the table require all sides to

make big concessions. The Muslim-led Bosnian government is being asked to accept the de facto division of the country in return for vaguely worded constitutional provisions establishing a weak central government.

A demand by the Bosnian government for arms and equipment threw a last-minute snag into the peace talks, and one source said it was a "potential deal-breaker." But Mr. Burns said the United States continued to resist placing that issue in a formal peace agreement.

Some major issues are settled, sources said. A draft provides for a collective presidency, with ethnic groups

sharing authority; separation of rival armies with a demilitarized zone 4 kilometers (2.5 miles) wide; and the Bosnian Serbs retaining control of Srebrenica and Zepa, two Muslim enclaves seized by the Serbs, U.S. officials said. The Muslims, meanwhile, would retain Gorazde.

As the hour of decisions approached, the Bosnian government, which has known nothing but war, appeared particularly torn over what course to take. The tension building at the conference was evident Saturday in the abrupt resignation of Mohammed Sacirbey, Bosnia's foreign minister. (AP, Reuters, NYT)

Huge U.S. Buildup in Gulf Risks Stirring a Backlash

'We Are the Security Managers'

By Dana Priest and John Lancaster
Washington Post Service

WASHINGTON — Before the military buildup leading to the Gulf War in 1991, the United States watched the region from spy planes and stationed troops and equipment for emergencies well out of sight, "over the horizon."

Since then, in a huge but discreet strategic shift of U.S. military assets, the United States has positioned hundreds of warplanes, dozens of warships and tens of thousands of U.S. troops in and offshore from the six Arab allies that line the western side of the Gulf — all Muslim countries run by autocratic families flush with oil wealth.

Another brigade of American civilian contractors coordinates an unprecedented flood of U.S. weapons sales to the region and trains the militaries of these countries in how to use their new arms. While the rulers of Gulf nations remain leery of a large foreign presence on their soil, they have abandoned many of their traditional reservations since the United States led the coalition that drove Iraq from Kuwait.

While U.S. forces are downsizing in every other part of the globe, they are on the increase in the Gulf to monitor, intimidate and, if necessary, repel Iraq and Iran. Lacking diplomatic relations with both countries, the United States must rely on military muscle, and United Nations sanctions, to achieve its twin goals of containing Iran's revolutionary mullahs to the east and Iraq's President Saddam Hussein to the north.

"We are the security managers of that

area," said Zalmay Khalilzad, a senior Rand Corp. analyst who directed the Defense Department's office of policy planning during the Bush administration.

But the side effects of the buildup could grow into its undoing, according to analysts in the region and in Washington.

The car bomb in Saudi Arabia that killed an army sergeant and four army civilians a week ago is the latest example of a backlash against the U.S. presence.

In the Arab press, speculation about the culprits centers on Saudi Islamic extremists, who accuse the monarchy of corruption and coziness with the evil West.

A spokesman for the most vocal Saudi dissident group said the bombers hit a "legitimate target" because non-Muslim foreign armies are not permitted on the Arabian Peninsula under Islamic law.

Even top Pentagon officials are concerned that the Gulf states, faced with cash shortfalls from lower oil prices, are cutting back on traditional social subsidies to pay for weapons and that this squeeze, in turn, is fueling social unrest and anti-American sentiment. Analogies are being drawn between the Shah's Iran and present-day Saudi Arabia. Like the role of arms merchant and military patron it plays in Saudi Arabia, the United States became the supplier of arms, technology and personnel for Iran in return for allegiance as a U.S.-friendly military power in the region.

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AGENDA

Diana on the Air: The High Road?

"Diana is an international phenomenon," says a spokesman for the BBC, which will carry an exclusive interview with the Princess of Wales on Monday evening on its program "Panorama" — and has sold rights to it to networks around the world.

"It is difficult to think of anyone in the world who people would more like to hear from," the BBC spokesman said.

Those, however, who are hoping for a no-holds barred interview will apparently be disappointed. According to accounts in The Sunday Telegraph, whose editor has close ties to the princess, Diana takes the high road and sticks to it in the interview, which took place earlier this month at Kensington Palace in London.

Leaked segments suggest the princess will not seek a divorce from her husband, Prince Charles. "There are two children involved here," she reportedly says.

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NATO's Bosnia Test

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TERROR ATTACK — Rescue workers digging through rubble at Egypt's Embassy in Islamabad on Sunday after a car bomb killed at least 14. Page 9.

Japan Brands U.S. Admiral's Rape Remarks 'Unbelievable'

Compiled by Our Staff From Dispatches

OSAKA, Japan — Japan has described remarks made by the commander of American forces in the Pacific about the Okinawa rape case as "unbelievable" and said his resignation was correct.

The commander of U.S. forces in the Pacific was forced to step down Friday after he said the rape of the 12-year-old Okinawan girl could have been avoided if the U.S. servicemen involved had simply paid for a prostitute.

The commander, Admiral Richard C. Macke, apologized after members of Congress and Japanese officials complained, but it was too late.

The remark threw senior Clinton administration officials into a fit of disbelief at a time of already strained U.S.-Japanese relations and following a series of publicized disciplinary problems in the navy involving mistreatment of women.

The Japanese foreign minister, Yohei Kono, said Saturday: "That was totally unbelievable."

"I think Mr. Macke did sort of a good job, but his remarks were unbelievable," Mr. Kono said he thought the United States had taken a "bold step" to defuse the controversy over the admiral's remarks.

Japanese Foreign Ministry officials said U.S. Ambassador Walter F. Mondale telephoned Mr. Kono as soon as he learned of Admiral Macke's resignation.

Admiral Macke said while apologizing that his remarks were "the result of my frustration over the stupidity of this heinous and incomprehensible crime against the young lady."

The Okinawa case has prompted calls in Japan for cutting the 47,000 U.S. troops based in that country, more than half of them on Okinawa.

Mr. Clinton said in his Friday interview that he was open to changing the size and deployment of U.S. forces in Japan but stressed that there were "very compelling" reasons to keep the security ties linking the two nations.

Admiral Macke, a 57-year-old Annapolis graduate and combat veteran of the war in Vietnam, announced that he had decided to take early retirement, and both the White

Canada Suspects Mulroney Got Airbus Kickback

By Anne Swardson
Washington Post Service

TORONTO — As part of a wide-ranging bribery investigation, the government of Canada believes that a former prime minister, Brian Mulroney, "engaged in a criminal conspiracy to accept payment" stemming from a multimillion dollar airplane purchase. Mr. Mulroney's lawyers have denied the allegations.

Mr. Mulroney denied the allegations and said through his attorneys that he would file a \$37 million libel suit against the government and the Royal Canadian Mounted Police for alleging that while in office he engaged in "criminal activities" related to the \$1.8 billion purchase by Air Canada of 34 A-320 passenger jets from Airbus

Industrie, the European aerospace consortium, in 1988.

The government allegations were made in a letter that was sent Sept. 29 by the Justice Department to the Swiss authorities, seeking information and cooperation, and that was revealed in press reports Saturday. Mr. Mulroney has not been charged with any crime.

The Justice Department, acting with the Canada's national law-enforcement agencies, asked the Swiss authorities for information about two numbered bank accounts related to the alleged "plot/conspiracy" by Mr. Mulroney (and others) who "defrauded the Canadian government in the amount of millions of dollars," according to the letter, as quoted in the Financial Post newspaper.

At a press conference Saturday, Mr. Mulroney's

lawyers confirmed the substance of the government's 13-page letter. The lawyers called the charges false and not supported by any evidence.

"Mr. Mulroney categorically and unequivocally states that he had nothing to do with Air Canada's decision to buy the Airbus, nor did he receive a cent from anyone," said Harvey Yarofsky, one of three Mulroney lawyers who denied the allegations.

"Anyone can easily see the rights of Mr. Mulroney and his family have been gravely violated," he added.

In a statement given to the Financial Post and published Saturday, Mr. Mulroney also denied that he ever had "a bank account in a foreign country."

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France	10.00 FF	Saudi Arabia	10.00 R
Gabon	1,100 CFA	Senegal	1,100 CFA
Greece	350 Dr	Spain	225 PTAS
Ireland	2,800 Lire	Tunisia	1,250 Din
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Bosnia Operation / Alliance's Credibility and Unity at Stake

Put to the Test, NATO Shows Its Mettle

By Rick Atkinson
Washington Post Service

ZAGREB, Croatia — Willy Claes was furious. Always volatile, the NATO secretary-general seemed downright apoplectic on the afternoon of Sept. 2 as he shouted into the telephone. In his Brussels office, Mr. Claes had just learned that Lieutenant General Bernard Janvier, the UN commander in the former Yugoslavia, had agreed after only two days of NATO bombing to suspend attacks against the Bosnian Serbs for at least 96 hours.

Second of two articles

lift the siege of Sarajevo and to remove its heavy weapons from the "exclusion zone" ringing the city. But General Mladic hedged his promise with conditions and caveats. As Mr. Claes now recognized in the defiant one-page letter the Serbian commander had handed General Janvier at the end of their 14-hour session.

General Mladic manipulated you, Mr. Claes told the UN commander in Zagreb. NATO and the United Nations had the Serbs on the ropes, and General Janvier had let them slip away.

For NATO and the United Nations, that Saturday afternoon would become the crucial turning point in Operation Deliberate Force, the extended bombing campaign against the Bosnian Serbs. Again and again during the endless months of Bosnia's agony, the Western powers had accepted the Serbs' false assurances only to find themselves outmaneuvered or outbluffed. At stake this time were not only NATO's credibility and unity, but also the delicate latticework of diplomacy and force that eventually would lead to peace talks in Ohio and hopes for a durable armistice.

Short but intense, Deliberate Force represented a coming of age party for a Western alliance that in more than four decades had fired few shots in anger and had never fought an extended campaign. The operation displayed strengths and strains likely to reappear during the deployment to Bosnia this winter of a peace implementation force; it was a test of tactical competence, of strategic coherence and, pre-eminently, of mettle.

And of the salient events during Deliberate Force, it was the bombing pause after 50 hours of air strikes that most dramatically forced the West to examine its objectives and resolve.

For as Mr. Claes spoke to General Janvier, he was painfully aware that his own theater commander, Admiral Leighton W. Smith, had concurred with the UN commander. After meeting General Janvier at the Zagreb airport that morning, Admiral Smith called General George A. Joulwan, NATO's supreme commander, who was on vacation outside Norfolk. To General Joulwan's dismay, Admiral Smith endorsed the 96-hour pause as a first step in ending Deliberate Force.

"I can't buy it," General Joulwan said. "We'd be snatching defeat from the jaws of victory." Mr. Claes faced not only a rupture between NATO and the United Nations, which threatened to dissolve a partnership so painfully forged in the months before Deliberate Force began, he also was confronted by a potential schism within his own ranks, between the four-star U.S. Navy admiral who commanded NATO's southern flank and the four-star U.S. Army general who served as the alliance's military chief.

For the rest of the day and ensuing night, NATO and UN officials would labor frantically to recapture the initiative. Here, many believed, Deliberate Force would succeed or fail.

Barely had the bombing begun at 2:12 A.M. on Aug. 30 than whispers of at least a temporary moratorium were heard in Zagreb and Brussels. Richard C. Holbrooke, the U.S. assistant secretary of state seeking a comprehensive peace plan in the former Yugoslavia, informed both General Janvier and the U.S. ambassador to NATO, Robert Hunter, that a pause might help nudge his talks forward.

General Janvier, too, was looking for a breather. President Slobodan Milosevic of Serbia had called the United Nations to arrange a meeting between General Janvier and General Mladic on Sept. 1 in the Serbian border town of Mali Zvornik. At 4 that morning, after flying 800 air sorties and firing 1,200 artillery rounds, NATO temporarily halted Deliberate Force on grounds of safeguarding General Janvier's expedition.

General Janvier arrived at the Hotel Jerezo in Mali Zvornik at 2:30 P.M. that day, a Friday. For nearly 14 hours, General Mladic blustered, wheedled and whined. At 4:08 A.M. Saturday, the session broke up. General Janvier flew back to Zagreb, with the one-page "My Dear General" letter from General Mladic.

General Janvier met Admiral Smith in Zagreb. He said he believed General Mladic did not understand the extent to which his military had been battered. An additional four-day suspension would let him see the damage and carry through on his promise to lift the Sarajevo siege. "The require-

ments for termination have been met," General Janvier said. "But we need to keep the pressure on."

Admiral Smith knew General Joulwan would want to scrutinize the diplomatic and political angles. But General Janvier's deal sounded acceptable. "I need your commitment that if we restart we hit them in a big way," Admiral Smith said. General Janvier assented, asking only that Serbian barracks be spared. Admiral Smith agreed. Exhausted and emotionally drained, both UN and NATO officers felt a giddy relief.

Admiral Smith immediately faxed a copy of the Mladic letter to General Joulwan, who considered the Serb's effrontery "an outrage." His effort to link the removal of Sarajevo siege weapons to restrictions on the Muslim-led Bosnian government's forces was hardly the unconditional withdrawal demanded of him.

For Mr. Claes, the proposed four-day moratorium was a disaster in the making. Getting 16 NATO nations and the United Nations to agree on a firm course had taken months; the longer the pause, the more difficult it would be to restart military operations. To fold after two days without a clear Serbian capitulation would irreparably damage the alliance's already tarnished credibility.

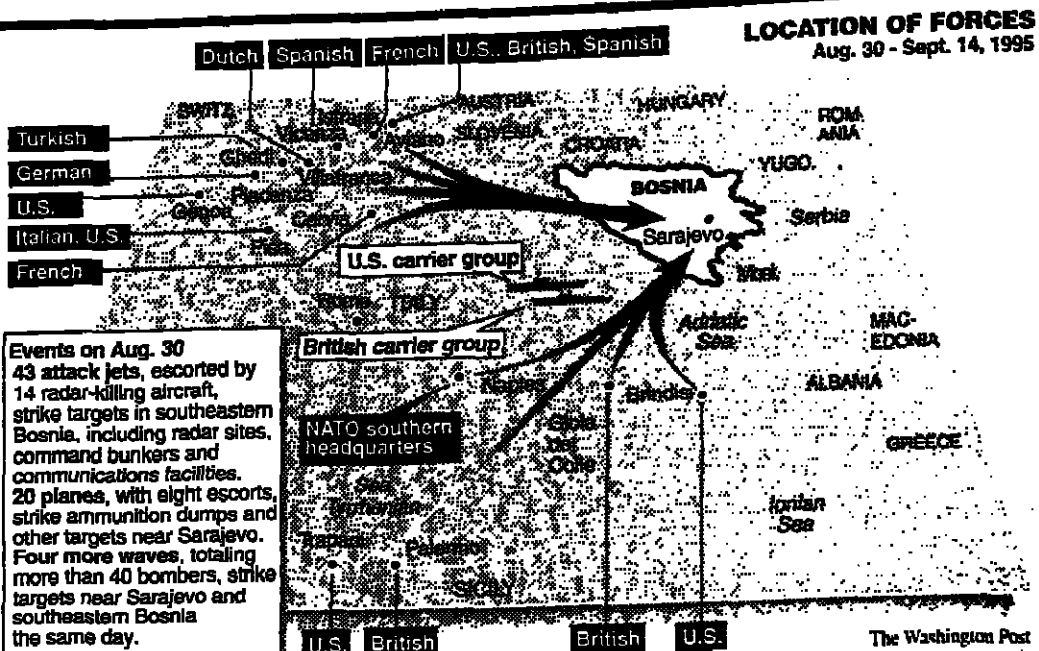
FOR nine hours, NATO ambassadors thrashed out a new course. At 2 A.M. Sunday, Sept. 3, Mr. Claes released a statement giving General Mladic until 11 P.M. Monday to halt all attacks on Sarajevo and three other Bosnian "safe areas," to withdraw his heavy weapons from Sarajevo and to guarantee freedom of movement for the United Nations.

General Janvier wrote General Mladic a letter on Sunday incorporating much of the language of NATO's ultimatum. General Mladic replied with a five-page harangue.

Monday's 11 P.M. deadline passed with conflicting reports regarding Serbian movements outside Sarajevo. Admiral Smith called General Janvier at 1 A.M. Tuesday and proposed waiting until morning rather than risk shooting retreating Serbs in the back.

By midmorning on Tuesday, Sept. 5, Admiral Smith was certain the Serbs had only played a shell game by moving some of their weapons around within the exclusion zone. Two drone aircraft with television cameras confirmed that there was no exodus of heavy weapons. Admiral Smith told General Janvier: "There's no intent being demonstrated. Let's get on with it."

At 1:08 P.M., NATO planes resumed their attacks against 15 targets, including ammunition



Events on Aug. 30
43 attack jets, escorted by 14 radar-finding aircraft, struck targets in southeastern Bosnia, including radar sites, command bunkers and communications facilities. 20 planes, with eight escorts, strike ammunition dumps and other targets near Sarajevo. Four more waves, totaling more than 40 bombers, strike targets near Sarajevo and southeastern Bosnia the same day.

dumps, repair depots and equipment storage warehouses. Operation Deliberate Force now settled into a peculiar routine: bombs, tough talk from NATO, defiant retorts from the Bosnian Serbs, more bombs.

On Sunday, Sept. 10, at Mr. Milosevic's request, General Janvier again flew to Belgrade for another meeting with General Mladic.

General Janvier was in no mood to negotiate. He and Admiral Smith had talked at noon. Attacks around Sarajevo would be briefly suspended as a gesture of good faith, they agreed, while strikes elsewhere in Bosnia continued.

Having made no progress once he met General Mladic, General Janvier abruptly bid adieu, his plane left Belgrade for Zagreb at 8:30 P.M. At 8:43 P.M., the first of 13 Tomahawk cruise missiles were fired from the U.S. ship Normandy in the Adriatic toward the Lisina Mountain military radar complex in northwestern Bosnia.

Admiral Smith earlier in the week had received permission from the Pentagon to use Tomahawks as part of his phased plan to complete destruction of Bosnian Serb air defenses. At 9:25 P.M., the missiles began detonating against two separate targets on adjacent mountain ridges. By 9:29 P.M., the Kozarac radar relay station, with a tower and nearby building, and a radar dome 3 kilometers (2 miles) away were shattered.

The Tomahawk barrage stirred deep unease in Brussels, Paris and elsewhere. Some NATO officers recognized that the attack would be perceived as escalatory. There was also a deeper anxiety that Deliberate Force was not working, that the Serbs could hummer down indefinitely and that the alliance might be fraying at the edges.

And notwithstanding UN and NATO pleas for restraint, a Croatian-Muslim offensive in western Bosnia was gaining momentum against the Bosni-

an Serbs and threatened to pull Belgrade back into the war.

Then, suddenly, it was over. Alarmed at both the Tomahawk attacks and the Croatian-Muslim offensive, which eventually captured 3,250 square kilometers (1,300 square miles) of western Bosnia, reducing Serbian holdings from nearly three-quarters to less than half of the country, the Serbs sued for peace.

NATO commanders believed General Mladic had recognized he could not fight a two-front war against NATO and his Balkan adversaries.

On Sept. 14, Mr. Holbrooke shuttled between Belgrade, Zagreb and Mostar, Bosnia; Admiral Smith and General Janvier agreed to a 12-hour bombing halt, although bad weather meant no bombs had fallen since Sept. 12 anyway. Mr. Holbrooke emerged with a withdrawal agreement signed by General Mladic.

A 72-hour bombing moratorium took effect at 10 P.M. on Sept. 14. On Sept. 17, as the Serbs began to decamp from the Sarajevo suburbs, Admiral Smith and General Janvier extended it for another 72 hours.

On Sept. 20, after a daylong squabble between NATO and the United Nations over whether to declare the campaign "indefinitely suspended" or "terminated," Mr. Claes and the UN secretary-general, Boutros Boutros Ghali, agreed to a compromise: "The resumption of air strikes is currently not necessary." Deliberate Force was history.

COMING UP
Call it the Persian dog that didn't bark: An immense, conventional military buildup by Iran forecast three years ago by Washington has never fully materialized.

DUTY FREE ADVISORY

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U.S. Airports
Ease Security

WASHINGTON (AP) — Airports lifted parking bans and ended car inspections Sunday after federal officials relaxed the tight security in place since the New York terrorism convictions of militant Muslims.

Other security measures begun in August and intensified in October will continue, however, a spokeswoman for the Federal Aviation Administration said.

Those include checking travelers' identification. The extra security, although not as extensive as during the Gulf War, had caused delays at several airports. The changes come just in time for the Thanksgiving and Christmas travel season, but the spokeswoman, Sandra Allen, said that this had not influenced the decision by federal officials. She would not say what had prompted the change.

"We are constantly monitoring the threat potential, and we came to the conclusion these modifications were warranted," she said.

When security was first tightened in early August, there were newspaper reports that the FBI had received information that two militant Muslim groups were planning a suicide attack on a New York airport.

On Oct. 1, security was tightened even more, on the same day a group of militant Muslims

were found guilty of terrorism.

A Clinton administration official said at the time that the alert was related to the terrorism convictions, the signing of a Mideast treaty, the Pope's visit and the United Nations' 50th anniversary celebration.

At Dallas-Fort Worth Airport on Sunday, officials reopened about 1,400 one-hour parking spaces near a terminal.

At Minneapolis-St. Paul International Airport and at New York City airports, officials halted inspections of large vehicles as they entered parking garages near terminals.

In Dallas, parking spaces had been roped off until a plastic laminate could be applied to glass panels on a nearby terminal, to prevent injuries if a bomb exploded in a vehicle parked in the front rows. Of-

TRAVEL UPDATE

officials said they planned to finish the lamination.

France Faces
Major Disruption

PARIS (AFP) — Prime Minister Alain Juppé faces one of his toughest weeks in office yet this week, climaxing in a general strike on Friday, as protests against his six-month-old government continue to mount.

On Tuesday, students have called a nationwide day of action over funding. Starting Thursday evening, strikes by railroad and subway workers could bring much of the country to a halt.

A 24-hour strike by civil servants will close many public services Friday, when everything from schools and post of-

fices to gas and electrical services face severe disruption.

Responding to complaints about overpriced cab rides from John F. Kennedy International Airport, the Taxi and Limousine Commission has proposed an experiment in which riders would pay a flat \$30 fee for the trip. The commission will vote on the proposal on Dec. 21. If approved, the fare would be imposed a month later, on Jan. 21. (NYT)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Belize, Mexico.
WEDNESDAY: Lebanon, Germany.
THURSDAY: Georgia, Japan, Puerto Rico, United States.
SATURDAY: Bosnia, Suriname.
SOURCES: J.P. Morgan, Reuters.

WEATHER

Europe									
Country	High	Low	W	W	W	W	W	W	W
Algeria	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Andorra	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Austria	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Belgium	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Bulgaria	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Croatia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Czech Rep.	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Denmark	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Egypt	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Finland	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
France	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Germany	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
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Hungary	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Ireland	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
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Japan	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Korea	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Latvia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Lithuania	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Malta	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Netherlands	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Norway	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Poland	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Portugal	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Romania	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Russia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Slovakia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Slovenia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Spain	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Sweden	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Switzerland	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Taiwan	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Turkey	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Ukraine	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
United Kingdom	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
USA	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Vietnam	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04
Yugoslavia	14/04	04/01	14/04	04/01	14/04	04/01	14/04	04/01	14/04

Forecast for Tuesday through Thursday, as provided by AccuWeather.



North America
Showers may dampen Vancouver and the rest of the West Coast southward through Oregon during the mid-week. New York City and Washington, D.C., will be mild Tuesday with showers; colder weather will return Wednesday. Chicago and Toronto will be windy and chilly with showers.

Middle East
Highs in the 20s and 30s, with winds in the 10s and 20s. Low clouds and drizzle in the morning, clearing to sunny in the afternoon.

Africa
Highs in the 20s and 30s, with winds in the 10s and 20s. Low clouds and drizzle in the morning, clearing to sunny in the afternoon.

Asia
A shower or two at Beijing Tuesday, then windy and cold for mid-week despite plenty of sun. After a mild Tuesday, Seoul will also become windy and cold. Partly sunny, mild and pleasant at Tokyo Tuesday and Wednesday, but Thursday will be windy and cool with clouds and showers.

Latin America									
Country	High	Low	W	W	W	W	W	W	W
Brazil	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Colombia	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Cuba	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Dominican Rep.	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Ecuador	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
El Salvador	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Guatemala	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Honduras	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Mexico	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Nicaragua	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Panama	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Paraguay	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Peru	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Uruguay	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15
Venezuela	22/15	15/09	22/15	15/09	22/15	15/09	22/15	15/09	22/15

North America
Chicago 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09
Dallas 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09
Denver 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09
Detroit 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09
Houston 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09
Los Angeles 22/15 15/09 22/15 15/09 22/15 15/09 22/15 15/09 22

THE AMERICAS

Clinton and Republicans Edge Closer to Compromise on Budget

By Brian Knowlton
International Herald Tribune

WASHINGTON — There were signs Sunday that a bitter deadlock on the budget that led last week to a partial government shutdown might be approaching a compromise solution.

Leon E. Panetta, the White House chief of staff, said that a new Republican offer "certainly shows some positive movement."

He said it was "my prayer and my goal" that the matter be resolved in time to reopen government offices Monday.

He and another top Clinton adviser, George Stephanopoulos, met with Republican leaders to discuss the prospects of hammering out a deal.

After a week of rare vitriol between Republicans and Democrats, capped by a brief shoving match early Saturday on the floor of the House, both sides seemed to be lowering the tone Sunday.

"This is not insoluble," Newt Gingrich, the speaker of the House, said on ABC. "We're prepared to try to talk this through." But he predicted that the partial government shutdown would continue until President Bill Clinton agreed to a seven-year budget plan.

On Saturday, Republican congressional leaders sent Mr. Clinton a proposal to end the shutdown. They said they would compromise on the economic assumptions being used in the budget debate if he would agree to accept a seven-year plan.

While the government closings were provoked by

the president's veto of a Republican-backed bill to fund continued operations, a solution is now bound up in debate over the scope of budget plans.

The Republicans say the president must endorse their plan to balance the budget within seven years. They say this must be done using figures on economic assumptions from the Congressional Budget Office.

The president now says he is willing to consider seven years as a goal. But he wants more optimistic numbers on economic growth — those of the Office of Management and Budget — to be used.

These assumptions, pointing to more revenue for government and lower interest rates, would allow the White House to mitigate some of the deep cuts in federal programs called for by the Republicans.

Mr. Gingrich said Sunday that Republicans were willing to consider these other economic projections, and Mr. Panetta said in a separate appearance, "That is the one area where we obviously see some movement."

But there were some fissures in Republican ranks.

"I'm opposed to this plan," said Senator Phil Gramm of Texas. "I'm opposed to letting the president assume away the problem so he can spend more money."

Differences in the economic assumptions — Mr. Clinton uses a 2.3 percent figure for growth in the gross domestic product, the Republicans, 2.45 percent — appear slight. But they would make considerable difference on how painful budget cuts

would be to average Americans. Mr. Gingrich said Republicans would not agree to any budget legerdemain. "What will not happen under any circumstances," he said, "is a political deal where we make up a phony number for Washington political purposes to buy off the pressure so we can claim victory. I think that would be very destructive."

Pete V. Domenici, chairman of the Senate Budget Committee, said that even Republican plans for a \$245 billion tax cut were on the table. Mr. Gramm later said Mr. Domenici's comment was "a mistake."

At one point Saturday, rancor was so great on the floor of the House that a shoving incident led to a melee that Capitol Hill police had to break up.

POLITICAL NOTES

Where There's Tobacco Smoke...

WASHINGTON — Representative Edolphus Towns, Democrat of Brooklyn, defends the huge contributions he receives from tobacco companies this way: He is from Chadbourne, North Carolina, the son of sharecroppers who depended on growing tobacco for survival. And besides, tobacco is a legal product.

Representative Charles Rangel, Democrat of Harlem and a fighter to overhaul the health care system, pleaded ignorance about taking tobacco money, saying he could not remember being approached by anyone from the industry recently.

"How much money did I get?" he asked last week. "I can't recall a nickel, if my life depended on it."

Mr. Towns and Mr. Rangel, black politicians who represent largely black districts, might appear to be unlikely candidates to accept the tobacco industry's self-interested largesse: The death rate from lung disease — which is mostly caused by smoking — is nearly 22 percent higher for blacks than whites, according to the American Lung Association.

And black and Hispanic leaders, Mr. Rangel among them, have complained for years that minority neighborhoods are special targets of tobacco and alcohol advertising.

Yet both men are among the House of Representatives' top 20 recipients of tobacco money, in a list dominated by politicians from states where tobacco is grown.

From January 1985 through September 1995, the industry gave Mr. Rangel \$49,950 and Mr. Towns \$47,680, according to two anti-smoking groups. That was comparable to the \$53,500 given to House Speaker Newt Gingrich, a Georgian who is considered a friend of tobacco interests. (NYT)

Black Loses in Louisiana Voting

NEW ORLEANS — Republican Mike Foster won the race for the Louisiana governorship Saturday, easily defeating the man trying to be the first black elected to the office. With 99 percent of the vote reported, Mr. Foster had 64 percent of the vote or 972,882. c Representative Cleo Fields, a Democrat, had 36 percent or 554,993.

"With this kind of mandate, I'm going to try to do it — a referendum on whether we will keep gambling, a constitutional amendment to give the voters the right to place issues on the ballot, do the budget better and dedicate funds to higher education," Mr. Foster, a state senator, said in Lafayette after his victory. (AP)

Utah Suspect Turns Himself In

WASHINGTON — Six days after he vanished, the husband of Representative Enid Greene Waldholtz of Utah turned himself in to federal authorities here to face questions about the couple's convoluted finances and how she paid for her 1994 campaign.

Joe Waldholtz, 32, was released Friday to the custody of an unidentified lawyer who did not appear in court but who pledged over a speaker phone in a federal courtroom that he would be responsible for Mr. Waldholtz's appearance Wednesday before a federal grand jury in Washington.

Mr. Waldholtz has not been charged with a crime and, according to his lawyer, arranged to turn himself in as soon as possible after reading that there was a warrant for his arrest. He was wanted as a material witness in a \$1.7 million check-kiting scheme. (NYT)

Indiana Democrat to Step Down

INDIANAPOLIS — Representative Andy Jacobs Jr., a Democrat known for his refusal to accept raises and an irreverent sense of humor, said Saturday that he would not seek re-election because "30 years are enough."

He is the 15th Democrat to announce that he will not run again in 1996, along with three Republicans. In addition, two Democrats have resigned this year. The Republican Party swept to its first House majority in 40 years in 1994 and if it maintains control in 1996, it will be the first time a Republican majority was re-elected since 1928.

Mr. Jacobs, 63, denied he was jumping ship. "I don't think I'm abandoning my party in 1996," he said. "Things look pretty good." (AP)

Quote/Unquote

Representative John L. Mica, a Florida Republican, apologizing to the House after he was nearly banned from speaking for insulting President Bill Clinton while criticizing the president's position in the balanced-budget debate: "I guess you get emotional. I missed my son's football game last night. I wasn't home to help my wife clean the house before Thanksgiving." (WP)



Supporters of Bob Dole whooping it up after the senator's speech in Orlando, Florida.

Full Speed Ahead on State Roads

After Senate, House Passes Law Ending 55 mph Limits

By Don Phillips
Washington Post Service

WASHINGTON — The House has passed legislation that frees states of federal speed limits and removes penalties on states that do not have laws requiring motorcycle helmets.

The House passed the final bill Saturday without debate in less than two minutes under "unanimous consent" procedures that would have allowed one member to block it. Republican and Democratic leaders approved the procedure despite a weeks-long campaign by safety, insurance and public interest groups, which said the legislation would lead to increased highway deaths.

The Senate passed the bill, 80 to 16, on Friday, and President Bill Clinton is expected to reject calls to veto it, partly because it releases \$6.5 billion in highway funds that have been frozen since Oct. 1. Under previous legislation, that was the deadline for Congress to designate a new National Highway System.

The House bill approved Saturday started out to do just that. But the bill began to gather additions quickly, many of them with a strong states rights flavor. In addition to ending federally imposed speed limits and helmet laws, it would relieve states of many other requirements, such as installing highway signs designating distances in kilometers and using old tire rubber in highway construction.

Federal speed-limit requirements, dating to 1974, hold speeds on all highways to 55 miles an hour (88 kilometers an hour), except for rural interstate and certain other limited-access rural highways that are allowed a 65 mph limit.

Ten days after the president signs the law, states will be free to set any speed limit. Advocates for Highway and Auto Safety, a group opposing the bill, said nine states had laws providing automatic increases in speed limits if federal regulations are removed: Montana (no limit); Kansas, Nevada and Wyoming (75 mph); Oklahoma, South Dakota, Missouri, Texas and California (70 mph).

David F. Snyder, an official of the American Insurance Association, felt that higher speed limits would cause 6,000 additional highway deaths a year and add \$20 billion a year in costs to insurance policyholders.

"This is victory for us," declared Senator Gramm. "We came to Florida to prove once and for all this is a two-man race. We proved it."

The results of the poll here —

Away From Politics

• Flight controllers told the crew of the space shuttle Atlantis that the weather should be favorable for a landing Monday at Kennedy Space Center in Florida. Atlantis is ending an eight-day voyage, during which it docked with the Russian space station Mir. (Reuters)

• A freight train rear-ended another freight train in Wyoming, killing an engineer and starting a fire that fed on thousands of gallons of spilled diesel fuel. Sections of U.S. Highway 287 adjacent to the tracks were closed as flames and thick smoke billowed from the crash. About 100 residents in 60 homes in a nearby development were evacuated. (AP)

• A worker trapped chest-deep in wet sand under a street in Warren, Michigan, was rescued after 15 hours when crews used a chemical to solidify the grains holding him in place. Sampson Barnhill, 55, hospitalized after crews plucked him free, was listed in stable condition with mild hypothermia at a hospital. Mr. Barnhill was excavating around a sewer line when he fell off a platform into sand, police said. (AP)

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INSTRUMENTS FOR PROFESSIONALS

Aristide's Outburst Fires Street Violence

By Larry Rohter
New York Times Service

PORT-AU-PRINCE, Haiti — With an emotional outburst at the funeral of a slain relative a week ago, President Jean-Bertrand Aristide set off an outbreak of street violence, provoked panic among Haiti's elite and undermined his relations with the United States and other members of the international coalition that restored him to power a year ago.

At least seven people have been killed and more than a score wounded in the unrest that erupted after Mr. Aristide urged his followers to "go to the neighborhoods where there are big houses and heavy weapons" to help the police disarm "the big men with heavy weapons."

"Do not sit idly by, do not wait," he demanded in an impassioned eulogy for Jean-Hubert Fautou, a cousin and close political associate.

Since then, dozens of homes of suspected Aristide opponents have been burned or looted, a radio station critical of the president has been attacked and

vigilantes have erected roadblocks. In the coastal town of Gonaïves last week, Nepalese soldiers who are part of the UN peacekeeping force clashed with a pro-Aristide mob, firing shots into the air to disperse them, while in Limbe, 21 foreign relief workers, 16 of them Americans, took refuge in a hospital after a band of Aristide supporters became unruly.

Mr. Aristide's tirade also included sharp criticism of what he described as the failure of the UN mission here to disarm Tontons Macoutes and other members of hostile paramilitary groups. Foreign officials who have been working closely with the Aristide government in efforts to build democracy here after nearly three decades of dictatorship described themselves as shocked and even betrayed by the president's unexpected behavior.

"He wanted to flex some muscle and take aim at an issue important to all Haitians, but he went way too far, and has brought the process of national reconciliation almost to a halt," a diplomat said.

But a close aide said Mr.

Aristide had not intended to encourage violence in the streets, only to get the attention of the international community before the scheduled departure of the UN troops at the end of February.

After meeting with Mr. Aristide last week, Lakhdar Brahimi, who heads the UN mission here, scoffed at the idea of a widening rift between Haiti's government and the UN.

With Haitians scheduled to go to the polls Dec. 17 to choose a successor to Mr. Aristide, "the latest violence has thrown a shadow over the presidential campaign," the Port-au-Prince newspaper Le Nouvelliste declared this week.

The incidents of violence by vigilantes and intimidation against perceived opponents of Mr. Aristide coincided with the registration period for presidential candidates, and dropped off as it came to an end on Wednesday. Many of Mr. Aristide's most fervent supporters have called for the vote to be canceled altogether so he would remain in office. Under Haiti's constitution, the president cannot serve two consecutive terms.

President Aristide's opponents, such as Evans Paul, argue that "there is a political strategy behind this campaign," intended to make the presidential election meaningless.

Mr. Paul, a former ally and mayor of Port-au-Prince, broke with the president after this summer's parliamentary elections.

Mr. Paul, a former ally and mayor of Port-au-Prince, broke with the president after this summer's parliamentary elections.

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ASIA

Gore Assures Asian Leaders

U.S. 'Deeply Committed' to Region

OSAKA, Japan. — Vice President Al Gore, standing in for President Bill Clinton here Sunday at an Asia-Pacific summit meeting, forcefully rejected suggestions that Mr. Clinton's no-show meant a waning commitment by America to the region or to the U.S.-Japan alliance.

"President Clinton and the other leaders of the United States are deeply committed to APEC and to the Asia-Pacific region," Mr. Gore said at a news conference after attending the Asia-Pacific Economic Cooperation meeting and holding several bilateral chats.

"The president is determined to reschedule his state visit to Japan as early as possible," Mr. Gore said. "The president also looks forward to attending the next APEC leaders' meeting in Manila."

Mr. Clinton on Thursday abruptly canceled his summit trip and an official visit to Tokyo to deal with the budget crisis at home.

His absence robbed Washington of a chance to grab the limelight at the APEC talks, where leaders reaffirmed their dream of free trade in the world's fastest growing region over the next 25 years and backed up their vision with a blueprint of how to achieve it.

Mr. Clinton also lost a chance to issue a joint statement with Prime Minister Tomiichi Murayama reaffirming the importance of the U.S.-Japan security tie, which has been called into question by the Cold War's end and jolted by a rape case on the island of Okinawa involving U.S. servicemen.

But Mr. Gore did his best to soothe Asian anxieties that Washington was turning inward and away from the region.

"We support the APEC process wholeheartedly," he said. "Our future lies in our relations in Asia and in the Pacific."

Mr. Gore also stated repeatedly that the United States valued highly its bilateral ties with Tokyo, and promised that Mr. Clinton would visit as soon as he could.

"In our meeting, I reaffirmed to Prime Minister Mu-

rayama that the U.S.-Japan relationship is of profound importance to peace and prosperity in this region and around the world," he said.

Mr. Gore, a 47-year-old Vietnam veteran whose forte is the environment and the information superhighway, also met other leaders, including President Kim Young Sam of South Korea and China's Jiang Zemin.

Mr. Gore traveled the greatest distance of any of the leaders, and with little time to acclimate himself, Prime Minister Jean Chretien of Canada had just arrived from the Commonwealth meeting in New Zealand, so he was more or less

used to this time zone. Mr. Gore clearly was not. He looked puffy-eyed and tired when he got off the plane in the late afternoon local time, and no wonder — it was 2:30 A.M. in Washington. But there was no time to rest; he was hustled straight into talks with world leaders.

At his closing news conference, Mr. Gore wiped his brow a few times under the hot TV lights and gamely told reporters: "It was a great privilege for me to attend this meeting." Stepping away from the podium, he briefly closed his eyes.

An hour later, he was on his way home. (Reuters, AP)



ANGRY IN SEOUL — Students trying to rip the helmets off police over the weekend. The students demanded that ex-President Roh Tae Woo receive harsh punishment.

4 Hostages' Status

On Ice in Kashmir

No Help Seems to Be Near

As Winter Grips the State

By John F. Burns
New York Times Staff

SRINAGAR, Kashmir — Somewhere in the Himalayan mountains that loom through the winter mists southeast of this old traders' city, four Westerners who came here on trekking vacations — one from the United States, two from Britain and one from Germany — are now well into their fifth month as hostages of a shadowy gang of kidnappers.

At the heights in the Anantnag range where the hostages are believed to be held, perhaps as much as 14,000 feet (4,270 meters) above sea level, it is bitterly cold. The winter snows that block high passes and trails have been falling for weeks, compounding hardships imposed on the hostages since they were seized by a group of Kashmiris, Pakistanis and Afghans. The captors say they are fighting for the secession of this state, where Muslims are in the majority, from India.

For Kashmiris, the kidnapping is a grim codicil to a year that is ending badly in other ways. As the state sinks into the winter freeze that has most of its 7.5 million people lighting candles and wood fires to get through the bitter nights, the political impasse that has gripped it since the insurgency began in 1989 seems to be frozen, too.

After more than 25,000 deaths in fighting, many of them of civilians, the Indian government, vowing to keep the state part of India, and the rebel groups, saying they will fight on for independence, appear to be as far apart as ever.

In the last 10 days or so, India's newest attempt to outflank the rebels politically flopped, just as similar efforts have done before. Only days after the government announced that it would hold an election in December in Kashmir, the first since 1987, the election commission ruled that "conditions" in the state — meaning the in-

surgency — made a fair election impossible. It was the second time this year the government called for a vote only to be blocked by the commission.

Meanwhile, after more than 130 days as captives, the four Westerners remain at the kidnappers' mercy.

The Indian authorities, backed by the three Western governments, have rejected demands from the kidnappers for the release of jailed insurgents and have said that they will not pay a ransom. A rescue attempt has also been ruled out since the terrain makes freeing the hostages without risk of injury or death all but impossible.

Among the Muslims of the Kashmir Valley, who pride themselves on their hospitality, the kidnapping has been widely condemned. Feelings heightened last week when the kidnappers, who have been using radios to communicate with Indian officials in Srinagar, warned that two of the hostages were sick and that one of them — believed to be Donald Hutchings, 42, a psychologist from Spokane, Washington — was suffering from severe frostbite to his bandaged feet and could "die at any moment."

In a message delivered to local news agencies, the kidnappers said Indian officials would be to blame if the hostage died.

Some Indian officials dismissed the kidnappers' warnings as a fresh effort to pressure the government. Prime Minister P.V. Narasimha Rao hopes for a breakthrough in Kashmir before a national election that must be held next April or May.

To lure moderate Kashmiri political groups into taking part in the election, he recently offered a modest grant of political autonomy to Kashmir. But the only Muslim political group, that seemed inclined to take a role in an election, the pro-India National Conference, immediately rejected the offer, denouncing it as inadequate and vowing a boycott.

Hanoi Wages Old War on New Front: The Net

By Keith B. Richburg
Washington Post Staff

HANOI — During the Vietnam War, Hanoi's leaders constantly warned people not to listen to shortwave radio broadcasts of the Voice of America, the BBC and other foreign outlets considered subversive and potentially injurious to the war effort. Of course, Vietnamese did listen — and the North won the war anyway.

Twenty years after the fall of Saigon and the unification of the country, the Communist leadership is engaged in a similar, more high-tech effort to block the influx of information. It isn't shortwave radio this time but the personal computer. The information comes not from the airwaves but from cyberspace via the global Internet.

The issue then was how to maintain military secrecy and rally the population in war. Now it's the more vexing question of how the Communist Party can maintain its grip on power by keeping out unwanted information and ideas in peacetime.

"It's the light side and the dark side of the Internet connection," said Ta Ba Hung, of the Ministry of Science, Technology and Environment. "Political stability is very important. Information flow might affect badly the cultural identity of the nation. They have to control it — but how? This is a very big problem."

His colleague Cao Minh Kiem said Vietnam needed access to the global web of information to further its economic development. "At the same time, we can get a lot of information we don't want to get," he said. "They have to come up with some way to control it. How to do that, I don't know," Mr. Kiem said.

The dilemma applies to countries across the region where political change has not kept pace with double-digit economic growth rates. The worldwide Internet, and the seemingly endless information it makes

available to anyone with a computer and a phone line, challenges authoritarian governments.

"Because we are a latecomer, we can take the experience of other countries," Mr. Hung said. He added that Hanoi's researchers are also keenly interested in practices in the United States, where state and federal investigators routinely scan the Net for everything from pornography to terrorist statements to violations of securities regulations.

Mr. Hung and Mr. Kiem work for the National Center for Scientific and Technological Information and Documentation. In coordination with the powerful Interior Ministry, their office has the difficult

job of designing the best way to control the information flow from cyberspace once Vietnam fully connects to the Internet.

"Their job is 'to create a firewall,'" Mr. Hung said, "to protect against information databases and to purify the incoming information flow." Already, he added, electronic mail can include discussions of such taboo topics as personal liberty and multiparty politics, meaning that "virtual democracy is available."

Many Vietnamese openly criticize government policies in conversations on the streets and around Hanoi's coffee shops. But spoken criticism between individuals is one thing; putting complaints down in writing and distributing them to a wider audience amounts to subversion here. It is harshly punished.

Once Vietnam goes on "live time" on the Net, Vietnamese would be able to tap into bulletin boards from Orange County, California, or Arlington, Virginia, to read what anti-Communist Vietnamese ex-

iles have to say about democracy and multiparty politics in their homeland.

And not all interest in the Net has been expressed by people with political aims. At a local orthotics clinic, run by the Vietnam Veterans of America Foundation, Chuck Searcy, the foundation director, said doctors have expressed interest in hooking up to the Internet to be able to consult quickly with experts abroad on difficult cases.

Now, however, access to the Internet is restricted basically to just e-mail, which does not provide instant communication. The local provider, called NetNam, calls up an Australian university four times each day, to send and receive e-mail messages in batches. Since connection time is costly and the system functions slowly, sending lengthy documents or messages becomes prohibitively expensive.

NetNam was set up by Tran Ba Thai, a computer programmer with the quasi-official Institute of Information Technology. From a few cluttered rooms, Mr. Thai and his team of 16 persons, with help from visiting Australian academics, have become the pioneers of Vietnam's leap into the technological age.

Mr. Thai's first exposure to the technological revolution took place in 1992 when he posted an e-mail message to Germany and, bitten by the bug, found a partner at the Australian National University. Now NetNam has grown to about 600 subscribers, mostly businesses and aid agencies, and the list of users is doubling every three months.

The Ministry of Post and Telecommunications has launched an assault to try to wrest control of all Internet access away from Mr. Thai's institute. The motivation seems more fueled by the potential for large profits than by politics — and by the ministry's strong desire to protect its monopoly over phone lines, including all data transmitted over them. The ministry plans to start its own Internet service soon.

'They have to control it — but how? This is a very big problem.'

Sri Lankans Moving Up

In Jaffna City Offensive

The Associated Press
COLOMBO — Thousands of government soldiers resumed their offensive to capture the Tamil rebel stronghold of Jaffna city on Sunday after a three-day break to regroup.

Supported by tanks and artillery, the troops were "progressing steadily," the military said in a statement. But the guerrillas struck in the east, attacking the army at a railroad station, killing at least 38 soldiers and wounding 24, the military said. It added that 50 guerrillas were killed in the nearly two-hour battle.

The fighting took place at Valaichchenai in Batticaloa district, 210 kilometers (130 miles) east of Colombo, said a military spokesman, W. N. Priyadarshana.

In the military's biggest offensive of the 12-year civil war, government soldiers were a kilometer from Jaffna city when they stopped their advance.

The military expects an especially bloody battle as the troops enter Jaffna, which has been the rebel headquarters for five years. But the government does not know how many guerrillas are holed up in Jaffna's bombed buildings and streets.

"The Tamil Tiger rebels may be losing ground around Jaffna city but are strengthening positions in other parts of the country," said the Tamil Tigers' deputy leader, Sivagnanam Karikalani.

At least 1,800 people have been killed and 6,200 soldiers and rebels wounded in the offensive, which began Oct. 17.

On Saturday, the rebels shot down a military cargo plane while it was landing at a military base in northern Jaffna Peninsula. Five members of the six-person crew were killed.

Rebels in three boats used machine guns to bring down the plane, which crashed into the sea, the military said.

The rebels are fighting for a homeland for minority Tamils, who make up 18 percent of Sri Lanka's 17 million people. Tamils accuse the Sinhalese majority of discrimination in education and jobs.

Overall, more than 38,000 people have died in the war.

Kim Jong Il Pops Up in Public

SEOUL — The reclusive North Korean leader, Kim Jong Il, made a rare public appearance Sunday to meet with officials of the Communist news media, an official report said.

Mr. Kim's visit to the North Korean Radio and TV Broadcasting Committee came amid South Korean news reports that the 53-year-old Mr. Kim was tightening his grip on the North's media in an effort to consolidate power before a formal accession to top posts.

Most of Mr. Kim's appearances have been at military facilities. He is the head of the 1.25-million-strong armed forces, but has yet to become president and party head — two important posts held by his father, Kim Il Sung, who died of heart failure in July 1994. (AP)

Sihanouk's Half-Brother Seized

PHNOM PENH — King Norodom Sihanouk's half-brother has been placed under house arrest in connection with a plot to kill Prime Minister Hun Sen, government radio reported Saturday.

Prince Norodom Sirivudh, a prominent critic of the government, was detained at his home here Friday, the report said.

Reports of a plot emerged a week ago, and Mr. Hun Sen has repeated them. But no one has come forward with any evidence, and no action has been taken against anyone other than Prince Sirivudh. (AP)

2 Held at Taiwan Political Rally

TAIPEI — Two men were arrested after a loaded pistol was found in their car near a campaign rally in central Taiwan attended by President Lee Teng-hui, state television and radio said.

The police and the president's security personnel said Saturday they found the two "suspicious" men when Mr. Lee's car was leaving the campaign headquarters of a ruling Nationalist parliamentary candidate in the central Taiwan town of Yuanlin.

Parliamentary elections are set for Dec. 2, and the first direct presidential elections for March 1996. (Reuters)

Dhaka Fears Election Violence

DHAKA (Reuters) — Bangladesh's Election Commission said it might call in the army to help keep parliamentary elections peaceful as the feuding opposition and government prepared for a showdown.

Opposition parties have threatened to boycott elections under Prime Minister Begum Khaleda Zia. They want her to step down and allow the polls to be supervised by a neutral caretaker authority, preferably one headed by Chief Justice Abu Taher Mohammed Afzal. (Reuters)

VOICES From Asia

Donald Tsang, the Hong Kong financial secretary, on talks with President Jiang Zemin of China about colony's status after Beijing takes over in 1997: "He assured me personally that the policy of Hong Kong people running Hong Kong was well enshrined as a national policy of China. He also mentioned to me that this is a commitment of the entire leadership of China — to 'one country, two systems.' To me, that was very reassuring." (Reuters)

Chen Jian, a Chinese Foreign Ministry spokesman, on the possibility of resuming talks with Taiwan: "Such a condition for resumption of talks is not yet ripe." (Reuters)

Doug Eu, of Jardine Fleming Investment Management, on Chinese companies whose shares trade in Hong Kong and fell sharply last week to a record low: "I'm just not comfortable enough to pull the trigger and buy yet." (Bloomberg)

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TODAY'S INTERNATIONAL RECRUITMENT

Appears on Page 5

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THE WORLD'S DAILY NEWSPAPER

EUROPE

Germany Blocking EU Farm Help to the East

By Tom Buerkle
International Herald Tribune

BRUSSELS — Although it is regarded as the leading advocate of early European Union membership for the former Communist countries of Eastern Europe, Germany is being increasingly criticized for denying the agricultural concessions that would turn its promises to the East into reality.

Bonn has lobbied vigorously in recent weeks to water down a proposal for modest increases in EU imports of East European farm products, making it unlikely that EU foreign ministers will agree on the proposal at a meeting in Brussels on Monday, EU officials said.

More important for the long term, Germany has emerged as perhaps the biggest obstacle to plans for a new round of cuts in farm subsidies to enable the EU to be able to afford new members, officials said.

"There is a contradiction between what the Germans say about enlargement and what they do," said a European Commission official. Germany's attempt to dilute the commission's proposal to lift farm imports "is a very bad signal toward Eastern Europe," the official added.

Farm Commissioner Franz Fischler, who first proposed increased farm imports, makes no attempt to minimize the challenge. If the EU and Germany are serious about admitting Eastern countries, beginning around the turn of the century, "We will have to make more concessions to these states," he said in an interview.

Agriculture is vital to enlargement because the Union devotes nearly half its budget to its Common Agricultural Policy — just over 40 billion European Currency Units next year. Extending those subsidy programs to Eastern Europe would break the EU bank: In the 10

countries that have been promised EU membership, a quarter of the labor force works on the farm, compared with a twentieth in the Union.

The only way to reconcile that situation, Mr. Fischler indicated, is a new round of reforms in the Common Agricultural Policy like the ones the Union adopted with much political pain in 1992. That would involve fresh cuts in the prices the Union guarantees to pay farmers for their produce, bringing them closer to world market prices, and offsetting the loss of subsidies with increased direct payments to farmers.

Mr. Fischler, who will unveil detailed proposals for farm reform on Nov. 29, said that even with major changes the Union would have to insist on lengthy transition periods before potential Eastern members could participate fully in farm programs. Commission officials suggest the transition will last as long as 10 years after entry.

Mr. Fischler predicted that Bonn would eventually soften its farm stance, too, because of its desire to expand the Union to the East to increase German security. But even German officials caution against significant changes soon.

"The real CAP reform cannot take place before 1998," a senior German official said, because German elections take place that year and Chancellor Helmut Kohl's Christian Democrats rely on a strong farm vote.

A British diplomat was scathingly critical of Germany's stance, saying it did not square with Bonn's rhetoric about enlargement. The amount of imports involved are almost derisory, this official said, noting that the exclusions sought by Bonn included an extra half-truckload of strawberry jam a year from Bulgaria and 14 tons of lettuce from Poland.

"If we can't even offer them this," the British diplomat said, "it doesn't bode well for enlargement."

France's Odd Silence on Moroccan Drug Trade

By Barry James
International Herald Tribune

PARIS — Although it has some of the toughest drug laws in Europe, France has apparently turned a blind eye to the huge amount of narcotics being smuggled in from Morocco.

Instead, it seems for political reasons, President Jacques Chirac has pointed the finger of blame at the Netherlands for France's rising problem with substance abuse.

Mr. Chirac cites the drug issue as the reason for not complying with the Schengen accord to abolish frontier controls among a number of European Union countries. In June, he told the Dutch prime minister, Wim Kok, "Either you take a strong stand against drug trafficking or I close the borders."

He is due to meet Mr. Kok before the end of the year, but Mr. Chirac has warned that it is "highly probable" that France will maintain border controls after the Jan. 1 deadline for implementing the Schengen agreement.

Mr. Chirac has no such tough words for Morocco, however. The French government places a premium on good relations with its southern neighbors in the Maghreb, fearing that unless it promotes stability in North Africa, Islamic fundamentalism will gain ground and spread into France.

On a visit to Morocco in July, Mr. Chirac described King Hassan II as the "visionary sovereign" of a

"land of tolerance." He said nothing publicly, however, about the vast "leaf," or cannabis, plantations in the Rif mountains, which are so fruitful that marijuana pollen can sometimes be detected in much of southern Spain.

Thus, it came as an embarrassment recently when Le Monde published a front-page article alleging that traffickers were protected at "all levels of society," ranging from simple customs officials to the highest levels of the Royal Palace.

King Hassan II promptly called off an official visit to Paris, which was to have begun on Nov. 22.

A spokesman for the Moroccan Embassy said the

The French government places a premium on good relations with its southern neighbors in the Maghreb.

king had been ordered by his doctors to rest, and that the visit would take place at a later date.

The independent Geopolitical Drugs Observatory in Paris says Morocco has become the world's biggest producer of cannabis and the source of an estimated three-quarters of the drug imported into France last year.

The observatory, which carries out research for the European Union, estimates that cannabis production in

Morocco has grown tenfold in the past 10 years, and occupies some 200,000 hectares in a sub-arid area that covers between 64,000 and 74,000 hectares (158,000 and 183,000 acres) in the Rif mountains.

The organization alleges that drug trafficking is now the country's biggest source of foreign revenue, with exports of more than 1,000 tons of hashish, which is cannabis resin in the form of a hard paste. It says that as well as being the focal point of the cannabis trade, Morocco also is a staging post for cocaine from Latin America and heroin from the Middle East.

One of the organization's investigators, who posed as a buyer of hashish in Morocco, said the whole economy of the region was geared toward producing and trafficking narcotics. Automobiles are prepared in special garages to carry large amounts of drugs without revealing the extra weight, he said.

The investigator said that for purchases of more than 750 kilograms (1,650 pounds), the Moroccan traffickers can arrange credit payments, a guarantee the shipment will not be stopped on the way to its destination (indicating collusion by police in Europe), and an insurance policy in the event anything goes wrong.

Earlier this year, the United States granted political asylum to two French citizens, Ali Bouquet and Jacqueline Hénard. Both said they feared for their lives if they returned to France because of their knowledge of drug dealings between high Moroccan and French officials, an explanation that was accepted by the U.S. Immigration and Natural Service.

Catalan Coalition Slips

BARCELONA — Moderate Catalan nationalists won elections to the regional Parliament on Sunday but lost their outright majority, while the conservative Popular Party more than doubled its seats in the northeastern region.

Jordi Pujol's governing Convergence and Union coalition slipped from 70 to 58 seats in the 135-seat regional Parliament known as the Generalitat, based on 74 percent of returns.

The Popular Party more than doubled its seats from 7 to 18, a sharp improvement analysts quickly saw as a bellwether of the party's performance in general elections expected in March.

The Socialist Party of Catalonia, the regional branch of Prime Minister Felipe González's Socialist Party, fell from 40 to 34 seats.

The pro-independence Republican Left of Catalonia rose from 11 to 13 seats. (AP)

Paris to Chastise Partners

PARIS — The French government faces a difficult week amid a dispute with its European partners over nuclear tests and a new wave of union and student protests at home.

At an EU meeting in Brussels on Monday, Foreign Minister Hervé de Charette will register France's irritation over EU support for a United Nations motion demanding an immediate end to French nuclear testing. Ten of the 15 EU members supported the motion.

The dispute, less than a month before an EU summit meeting in Madrid, could worsen as a fourth French nuclear test in the South Pacific was reported to be imminent.

Foreign Ministry sources said that Mr. de Charette would tell the EU countries that voted for the UN motion — Belgium, Denmark, Finland, Sweden, Luxembourg, the Netherlands, Portugal, Ireland, Italy and Austria — that they had failed EU solidarity. (Reuters)

Ex-Communists Courtied

BONN — The new German opposition leader, Oskar Lafontaine, has said that East German communists should not be excluded from efforts to defeat Chancellor Helmut Kohl.

Last week, Mr. Lafontaine, 52, the premier of the state of Saar, replaced Rudolf Scharping as the chairman of the Social Democratic Party.

"We must give everyone a chance to contribute to our democracy," Mr. Lafontaine said when asked by Der Spiegel about the

former communists. The interview with the news magazine is to be published Monday.

Mr. Lafontaine has agreed to hold talks with Gregor Gysi, the leader of the Party of Democratic Socialism, at the end of this month.

Members of Chancellor Helmut Kohl's governing coalition assailed the decision, saying that Mr. Lafontaine was deserting modern Germany's foundations in a bid for power in general elections due in 1998. (Reuters)

Dini's Budget Is Rescued

ROME — A key section of the Italian government's 1996 budget was propelled through the Senate over the weekend after Silvio Berlusconi and his center-right allies unexpectedly rode to the rescue of Prime Minister Lamberto Dini.

Mr. Dini's budget was threatened with defeat Friday when members of the Northern League, which had previously supported the government, walked out of the upper house of Parliament to protest a new immigration law.

But at the last minute, center-right parties grouped in the Freedom Alliance ensured a quorum in the Senate for a special weekend session and helped get a major section of the budget approved late Saturday.

Mr. Berlusconi and his allies have pledged to vote against the 1996 budget unless radical changes are introduced. On Saturday, they did not actively back the bill, but they dropped some of their amendments and did nothing to prevent a rapid ratification of over 30 articles in one sitting. (Reuters)

Calendar

EU events scheduled for Monday:

BRUSSELS: EU foreign ministers meet with Prime Minister Shimon Peres of Israel to sign an agreement of association. Mr. Peres meets with the commission president, Jacques Santer, and vice president, Manuel Marín.

BRUSSELS: The commissioner for monetary affairs, Yves-Thibault de Silguy, meets with the Israeli finance minister, Abraham Shohat.

BRUSSELS: EU culture ministers discuss proposed changes to TV quota directive.

BRUSSELS: Commissioner for humanitarian aid, Emma Bonino, addresses conference of the UN International Fund for Agriculture and Development.

Sources: Agence Europe, AFP

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INTERNATIONAL

Yugoslav Army Said to Aid Serbs

Officials Say Belgrade Rebuilds Bosnian Forces

By Stephen Engelberg and Kit R. Roane
New York Times Service

WASHINGTON — While President Slobodan Milosevic of Serbia has been negotiating a peace settlement in Ohio, the army under his control has been rebuilding the Bosnian Serb military in violation of his own pledges. U.S. and United Nations officials say.

Yugoslav Army technicians have replaced the communications links blown up by NATO warplanes in air strikes two months ago and have repaired some of the air defense systems, the officials said.

The Yugoslav Army has also been routinely sending helicopters and planes loaded with supplies to the Bosnian Serbs in their stronghold of Banja Luka, UN officials said.

U.S. officials said, however, that NATO radar had not picked up any flights into that airfield by transport aircraft. They said they had spotted some helicopters, and assumed that others were flying low enough to avoid detection.

American officials said they believed that the resupply of the Bosnian Serbs was on a comparatively small scale, and "while we don't like it — it's wrong and it's illegal — it's not enough to justify torpedoing the peace process."

A confidential UN report dated Oct. 30 — two days before the peace talks opened at Wright-Patterson Air Force Base near Dayton, Ohio, — says that UN military observers have spotted "regular flights of military transport aircraft and helicopters into Banja Luka at night."

Those flights have continued into this month, a UN official in the region said.

The report said the Bosnian Serb Army's communications systems "have been resurrected by the Yugoslav Army, whose personnel are involved."

The document, which was signed by a senior military officer serving with the United

Nations, said the Yugoslav Army was supplying spare parts for the Bosnian Serbs' small fleet of warplanes.

While the United States vociferously protested the Yugoslav army's efforts to help the Bosnian Serbs rebuild after the NATO bombing, the criticism has been muted since the peace talks began.

One senior official speculated that Mr. Milosevic was allowing some ties between the Yugoslav Army and Bosnian Serb army to persist as a means of preserving his credentials with his own military while he makes significant concessions in the peace talks.

"He has to tolerate a certain amount of activity to maintain control," one official said. "He's got to watch his back."

Mr. Milosevic promised to end such assistance to the Bosnian Serbs earlier this year in exchange for the lifting of some economic sanctions against his country.

But U.S. officials with access to intelligence reports say that, while Mr. Milosevic did not keep his word, he has curtailed the flow of fuel and ammunition in recent months.

The Yugoslav Army's continuing supply of arms and expertise to the Bosnian Serb military raises questions about both Mr. Milosevic and the stability of any peace treaty.

U.S. officials acknowledge that the ultimate success of their peace effort depends largely on whether Mr. Milosevic delivers on his latest assurances in ways he has not done in the past.

They argue that there are several reasons to believe that he will do this, including the proposed presence of a 60,000-NATO troops in Bosnia to enforce any peace plan and his desire to end his isolation from other countries.

Still, it remains unclear how the peace agreement would address the issue. A senior U.S. official said the proposed peace settlement would bar the Yugoslav Army from sending military supplies and assistance to the Bosnian Serbs.



A cab driver in Sarajevo siphoning fuel from his tank to help a motorist who had run out of gas during a snowstorm.

U.S. Plan: Deploy Rapidly in Bosnia

By Eric Schmitt
New York Times Service

WASHINGTON — Within weeks after a Balkan peace agreement is completed, American troops and equipment will begin arriving in Bosnia if all works as planned, some floating on barges down the Danube River, most speeding across Central Europe on German railcars or landing on hastily repaired airstrips as part of the 20,000-member U.S. contingent of NATO's mission to enforce a peace plan.

For months U.S. and NATO officials have been drawing up plans for the arrival of thousands of NATO troops in Bosnia and the departure of thousands of UN peacekeepers — all in the middle of winter on war-shattered roads.

More than any military operation since the Gulf War, the mundane but critically important logistics side of this mission will determine at least the initial success of a NATO deployment in Bosnia.

"Any logistical operation in the Balkans will be much more difficult than the Gulf War, mainly because of weather problems and not having the good air and port facilities we had in the gulf," said Gus Pagonis, the U.S. military's chief supply officer in the Gulf War who now oversees logistics for Sears, Roebuck & Co.

Days after a peace accord is initiated, a vanguard of about 1,600 NATO troops is

to arrive in Bosnia to open headquarters, build satellite communications networks, repair roads and airfields and pave the way for 60,000 heavily armed troops, including the 20,000 Americans, officials say.

After a final agreement is signed, possibly two weeks after the initialing, U.S. and other allied troops plan to begin arriving by air, rail and road, accompanied by hundreds of tanks, Bradley fighting vehicles and other heavy equipment from Germany.

Their destination will be Tuzla, the headquarters of a U.S. zone of responsibility for eastern Bosnia.

British forces would be responsible for patrolling western Bosnia, and the French the southern part of the country.

French troops would be headquartered in Sarajevo. Many of the 12,600 French and British peacekeeping troops now under UN command would switch to NATO. Troops from as many as two dozen other countries would join.

This NATO operation would break new ground. It would be the largest force the 16-nation alliance has ever sent outside its boundaries. For the first time, Hungary would allow NATO to use its bases as staging areas for U.S. troops into Bosnia.

The entire force would take 45 to 60 days to roll into Bosnia, NATO officials said. "The first problem is going to be getting there," said General David Mad-

dox, who retired as commander of Army forces in Europe last December.

U.S. troops train during the winter in Europe, but army officials are not taking chances with the damper, snowier Bosnian climate. Mechanics are packing special lubricants for vehicles and plenty of spare parts. Troops are receiving improved cold-weather boots, parkas and sleeping bags.

Before these NATO troops arrive, logistics specialists will create supply, intelligence and communications networks large and elaborate enough to link all NATO forces. Some of this structure exists now with UN forces, but is incomplete.

While technicians set up digital satellite communications to enable forces to talk to one another, scores of cargo planes, mostly American aircraft including many of the 18 new C-17s, would fly engineering and other experts and their equipment into Bosnia to begin work.

Most of the half-dozen airfields in Bosnia that allied cargo planes could use have been cratered by mortar and artillery fire. Many have limited space to load and unload planes, which restricts how quickly planes can get in and out.

One senior NATO commander estimated that it would take thousands of tons of material to put the damaged airports back into operation. Engineers would also have to repair dozens of bridges and tunnels, and miles of roads.

Extremist Leader Is Called Mole for Israel's Shin Bet

By Serge Schmemmann
New York Times Service

JERUSALEM — Reports that the leader of the extremist band to which Prime Minister Yitzhak Rabin's assassin belonged was a mole for the Israeli secret service set off fresh shock waves through Israel on Sunday, including demands from rightists for a full reckoning of what exactly he did.

There was no comment either from the government or from the General Security Service, the secret service better known as Shin Bet, but all major newspapers, television and radio stations reported that Avishai Raviv, head of the right-wing Eyal organization, was a paid agent of Shin Bet for two years.

Mr. Raviv was one of eight people arrested in the wake of the assassination, but he is the only one who has been released. He is currently under house arrest at his parents' apartment near Tel Aviv, and his lawyer denied the allegations.

In another development, the Israeli police minister, Moshe Shaleh, said that there was no broad conspiracy to kill Mr. Rabin, and that the brothers Yigal and Hagai Amir where the "hard-core" plotters. He said Hagai Amir may not have been aware of Yigal Amir's intentions on the night of the assassination, but that he was involved in earlier attempts on the prime minister.

"The two brothers planned different plans," Mr. Shaleh said in an interview. "They differed in concept. The assassin himself did not consider the problem of leaving the scene of the crime. He didn't care if he was arrested. Hagai tried to enable him to leave the scene without detection, his idea was based on this concept."

Mr. Shaleh's account corroborated indications from the investigation that four other men and a woman who are being held in detention were involved with the Amirs in another plot, to kill Palestinian policemen in West Bank cities after the Israeli Army left them. Mr. Shaleh said some of them might

have been aware of Mr. Amir's broad intentions, but that they were not involved in the actual deed or its planning.

The police minister himself had talked on Nov. 10 of a conspiracy, but then, too, he had posited two different levels of operations, one to kill the prime minister, and another to kill Palestinians.

"If you ask about conspiracy, the answer is no," he said Sunday. "What we're talking about is that Yigal and Hagai were the hard core, those who planned an assassination. They had many attempts on Prime Minister Rabin since the signing on 13 September 1993. That was the date of the handshake between Mr. Rabin and Yasser Arafat, the leader of the Palestine Liberation Organization, that launched the disengagement process."

The goal of the Amirs, both of them deeply committed to a religious Zionism, was to undermine that process, either by killing the prime minister or by attacking Palestinians, Mr. Shaleh said. "But there was no conspiracy in the sense of some organization behind the assassin. Definitely not."

Asked whether a rabbi was still being sought for purportedly giving the assassination a theological sanction, Mr. Shaleh declined to comment. He also said he knew nothing about Mr. Raviv's purported connections with Shin Bet.

According to various reports in the press, none of which were attributed to identified officials, Mr. Raviv was paid by Shin Bet to provide information about rightist extremists and their activities, but accounts varied on whether he was a full-time agent or an occasional informer. Either way, he was never arrested at various demonstrations, and Shin Bet reportedly had a hands-off policy toward the organization.

Channel 2 of Israeli television said that Mr. Raviv was arrested after the assassination because he did not warn the Shin Bet about the impending assassination. But the report said that investigators determined he was not told the plot.

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CANADA: Mulroney Under Suspicion in Jet Deal

Continued from Page 1

A Mounted Police spokesman, Constable Bernie Trepanier, said in a telephone interview that the agency had no comment on the denials as part of its traditional policy of not discussing ongoing investigations. Officials at the Justice Department were not available to comment.

Prime Minister Jean Chretien, who is traveling in Japan, said that he knew nothing about the allegations and had not been informed of the investigation.

The Airbus purchase, the largest commercial one in Canadian history, was the subject of heavy lobbying while Mr. Mulroney was prime minister, according to "On the Take: Crime, Corruption and Greed in the Mulroney Years" by a journalist, Stevie

Cameron. Several Mulroney allies and associates, including Frank Moore, former premier of the province of Newfoundland, were allegedly involved in heavy lobbying efforts on behalf of Airbus. Mr. Cameron's account does not suggest any Mulroney involvement.

Last March, a Canadian Broadcasting Co. investigative program reported that Airbus had paid about \$15 million in secret commissions to help secure the Air Canada contract. It did not name Mr. Mulroney or any Canadian official, but alleged that Airbus had paid a shell company based in Liechtenstein and headed by a German-Canadian businessman with Mulroney connections \$500,000 for each jet sold.

By the end of his eight years as prime minister in 1993, Mr.

Mulroney was deeply unpopular in Canada. Polls indicated that Canadians disliked what they saw as excessive cronyism and a luxurious lifestyle led by Mr. Mulroney and his wife, Mila.

Mr. Mulroney now is in private law practice in Montreal and stays largely out of the public eye. He is a member of many corporate boards in Canada and the United States.

His lawyers said that they had spent much of last week meeting with government officials and trying to persuade them to retract the allegations made in the letter to the Swiss authorities. Mr. Mulroney was happy to cooperate with any investigation of the Airbus purchase, they said, but felt it was unfair he should be accused in such a document without a chance to defend himself.

GULF: Huge U.S. Buildup Risks Stirring Backlash

Continued from Page 1

"This is Iran all over again," said Lora Lumpe, senior analyst and arms trade expert at the Federation of American Scientists, referring to U.S. ties to the country under the shah. "The parallels are striking."

Some military analysts say a purely nonpolitical approach — the "dual containment" of Iran and Iraq — is not sustainable, given the fact that one is bound to become predominant and that economic and military pressure combined with diplomatic isolation has so far failed to produce positive results.

"We could engage the Soviets during the very worst days of the Cold War," a former high-ranking Pentagon strategist said. "The dual containment policy prolongs the current situation and might cause us to continue to spend a lot of money and energy maintaining this forward presence for a good deal longer than is reasonable."

But, Mr. Khalizad said, do not look for any changes in the U.S. position "until after the next presidential election."

When Iraq invaded Kuwait in August 1990, the United States took three weeks to move a small rapid deployment force into the area and several months to move in enough equipment to enter the battle. After the war, military planners set out to tie the region into the U.S. security web as never before, to

grow indigenous armies and air forces that would be technologically compatible with their U.S. counterparts and to negotiate access to air strips, ports, roads, buildings and intelligence links should the United States move into action itself.

After four years of delicate negotiations, the United States has enough equipment and

manpower, most of it floating in and around the Gulf, to stomp any conceivable threat, military analysts said.

About 9,000 troops are stationed on land, most of them in Saudi Arabia.

Another 15,000 sailors and Marines are on the 15 to 20 navy warships in or near the Gulf at any given time.

CHINA: Trade Barriers to Fall

Continued from Page 1

and investment liberalization."

A Chinese official said that the tariff cuts would be applied to more than 4,000 of about 6,000 items that China imports. The cuts will lower the nation's average tariffs to about 22 percent from a current 35.9 percent.

Even at the lower level, such duties would still be among the highest in APEC.

Some economists cautioned that further analysis was needed to see whether the tariff cuts would be as beneficial for imports as they sounded.

Another Chinese official in Beijing said that China planned to bring forward full convertibility for its renminbi currency for trade transactions, possibly as early as next year. The currency is scheduled to become fully convertible by 2000.

China also said it would end quotas, licensing and other import control measures on about 170 tariff lines in 1996.

ADMIRAL: 'Unbelievable'

Continued from Page 1

House and the Defense Department made it clear that he had been forced to do so.

A senior White House official said that W. Anthony Lake, the national security adviser, had heard of Admiral Macke's remarks and told the Defense Department that the statements were "not acceptable."

The official added, "They didn't have to be coaxed," and Admiral Macke was forced to step down.

The episode caused yet another strain in U.S. relations with Japan.

First, there was the rape itself.

On Nov. 7, the three U.S. servicemen pleaded guilty to conspiring to abduct and rape the girl in Okinawa. Much of the American military presence in Japan is there, despite the opposition of many Okinawa residents.

Then Wednesday, Mr. Clinton canceled a trip to Japan for a Pacific Rim economic conference because of his long-running stalemate with the Republicans in Congress over the budget.

Then came the admiral's statement to reporters Friday. "I think that it was absolutely stupid. I've said several times," Admiral Macke said of the rape. "For the price they paid to rent the car they could have had a girl."

A Japanese Foreign Ministry spokesman said: "The remarks by Admiral Macke are most inappropriate in view of the terrible incident that took place in Okinawa."

A Defense Department official said in Washington on Friday night that Admiral Macke had made his comment toward the end of a breakfast meeting with reporters Friday morning.

The official said Defense Secretary William J. Perry was told of it after returning from the Bosnia peace talks in Dayton, Ohio, and met with his top deputies.

He then spoke by telephone with Mr. Mondale.

Then Mr. Perry called Mr. Clinton and recommended that Admiral Macke be made to retire, and the president concurred, the official said. The secretary met with the admiral, and the retirement was announced. (Reuters, NYT, WPT)

BUILDING A NEW BERLIN

Berlin, once the symbol of Germany's profound division, is creating a new role for itself as a vital expression of unity. Adding to its long-time role as a lively cultural center, Berlin is now set to become the headquarters for many of the country's most important government offices and other organizations. New architectural landmarks throughout the city reflect this exciting evolution.



The Bürohaus Berlin, new Berlin headquarters of Germany's Social Democratic Party (SPD), is one of the leading projects in the city's fast-paced development program.

BERLIN IN 1995: A NEW IDENTITY TAKING SHAPE

An estimated 3,000 construction sites, some of Europe's most spectacular projects and a new kind of tourism mark today's Berlin.

Berlin's residents refer to it, rather sourly, as "construction-site tourism." Most of the "tourists" are in fact the city's commuters picking their way through the labyrinths of ramps, redirected streets and running fences now forming Berlin's cityscape.

By way of compensation, the city's 300-odd major building sites — comprising a collective investment volume pegged at anywhere from \$20 billion to \$40 billion — offer daily onlookers a number of entertaining, even enlightening items.

Most visible among them are a rash of huge, garish billboards and cut-out displays. According to Gerald Blomeyer, joint CEO at Blomeyer & Mitzkoit, Berlin's urban development specialists, "After months of seeing a succession of 10-meter-tall actresses and gorillas and ice cream cones sprouting from the sites, many local commuters have developed quite an avid 'What's next?' curiosity."

"This curiosity of course centers around the buildings themselves. As the commuters have watched these buildings go up day by day, stone by stone, story by story, they have often acquired well-informed views as to 'their' buildings' particular architectural merits and flaws in the process," Mr. Blomeyer adds.

The collective scope of this architectural innovation is enormous, points out Eberhard Diepgen, Berlin's mayor. "No doubt about it. Berlin is currently the world's largest architectural laboratory," he says. "Our new center [the city's central governmental and business district] alone features the work of some 150 architects from eleven countries."

Many of the construction-site tourists have a more than idle interest in the sites' progress and contents. One such group is made up of executives from Daimler-Benz, Sony, Allianz, ABB and more than one hundred other international companies. Over the last five years, each of these companies has invested hundreds of millions, even billions of marks in office, residential and shopping complexes in Berlin that are now nearing completion. Investors are waiting for a pay-off flow of tenants, shoppers and customers to materialize.

Ad hoc clusters of local residents, foreign urban planners and ecologists from everywhere form another major category of tourists. The planners have come to study Berlin's 22 major neighborhood redevelopment projects, each of which

alone ranks among the largest and most important in Europe. For the local residents, the success of these projects — their ability to create new jobs, housing, recreational facilities and transport links — is crucial. Ecologists are also watching closely to see whether the developments have a positive or negative impact on the environment.

Relocating government

Government officials, from both the city-state of Berlin and the federal government, comprise another coterie of vitally interested tourists. Overcoming a period of quibbles and delay, the relocation of Germany's federal government to Berlin is now in full swing. Ten ministries, the Bundesrat

A primary goal in the major projects

has been to offer flexible, multi-use constructions that will benefit all the city's residents.

(Germany's parliament of state governments), the chancellor's office and dozens of other federal-level agencies and the 25,000 people staffing them are set to be in their new Berlin offices by no later than 2000.

The municipal officials are there "to get a preview of the city's future," Mr. Diepgen says. "Berlin is a city in the process of reinventing itself, re-engineering its business base, its topography. The construction sites — each in its own way — are the venues of this reinventing and re-engineering."

"The one common feature shared by all the city's major projects is a heterogeneity of use, of occupant, of density, of design and of ambition," says Mr. Blomeyer. "Throughout the city, and especially in the new center, developers are striving to marshal all of the constituent elements of the well-tempered urban life into diverse, open-ended systems. Or, to put it another way, they have been striving at all costs to avoid the creation of urban monocultures and architectural monoliths."

"In our case, this espousal of heterogeneity did not occur consciously. Rather, it was mandated by the divergencies

among our sets of goals," says Inge Wettig-Danielmeier, treasurer of Germany's Social Democratic Party (SPD), the developer of Bürohaus Berlin, the SPD's new national headquarters. The 130 million Deutsche mark (\$91.5 million) project is located in the southern reaches of the city's new center. "We wanted to put up our new office building as quickly as possible, to show the SPD's support for Berlin as the country's new seat of government and as a new center of economic development in a very concrete, highly visible way," she says, adding: "At the same time, we wanted to plan a wide diversity of uses into the building. That required coming up with a design containing a wide variety of facilities and features, a process that is generally quite time consuming."

Environment and business

The SPD was also determined to create a building that adhered to the most stringent environmental standards while also being a functional and efficient place in which to do business. "Actually, instead of conflicting, it turned out that our goals have nicely dovetailed," Ms. Wettig-Danielmeier says. "Our building features a large-size atrium, which is a key part of our energy- and ambient light-conservation system. This atrium has proven to be quite an attraction to potential investors, who prize the spacious, airy feel it gives to offices and common space."

"Time constraints led us to plan concurrently for all of the building's future occupants — our national headquarters and various party-related think-tanks, plus corporate tenants and shops," Ms. Wettig-Danielmeier adds. "New similitudes of uses emerged. For instance, our conference center, seating 500 people, is also available for use by the building's other occupants."

The new Bürohaus, as one of the first of Berlin's new mega-projects to near completion, has attracted widespread interest among visitors. To capitalize on this, builders and developers of other projects in Berlin have put up life-sized, canvas-and-wood mock-ups of their future office buildings, hotels and shopping complexes. Some even come packaged with elaborate shrouding and crinoline.

"Must be a Christo after-effect," says one perceptive construction-site tourist.

Useful Addresses

For information on and tours of Berlin's building sites:

City-State of Berlin
Senate Department for Housing and Building
Mr. Ralf Schlichting, Press Spokesperson
Württembergische Str. 6
D-10707 Berlin
Tel.: (+49-30) 867 5800
Fax: (+49-30) 867 3100

For information on Bürohaus Berlin:

Verwaltungsgesellschaft
Bürohaus Berlin
Winterstr. 35
D-53177 Bonn
Tel.: (+49-228) 382 01-22
Fax: (+49-228) 317 302
Marketing and Rentals:
Wildanger Immobilien
Knesebeckstr. 55
D-10719 Berlin
Tel.: (+49-30) 881 6047/48
Fax: (+49-30) 881 7322

For a look at what's happening in the city:

BerlinBerlin, a free tri-monthly magazine (English/German)
Berlin Tourismus Marketing
Am Karlsbad 11
D-10785 Berlin
Tel.: (+49-30) 2647 4880; fax (+49-30) 2647 4888

SHIFT FROM BONN TO BERLIN: NEIGHBORHOODS IN FLUX

The so-called "federal effect" is the subject of fervent debate in Berlin and Bonn.

A bit more than half of Germany's federal government will be moving from Bonn to Berlin between 1998 to 2000, including the office of the chancellor, the Bundestag (Germany's parliament) and the Bundesrat (the parliament of Germany's states), the three key centers of political power in the country.

The "federal effect" involves the federal government's "camp followers" — international media, lobbyists, professional associations, diplomats and political groups. While analysts attempt to gauge how many of

these will move from Bonn to Berlin, one of the move's ramifications has already become strikingly evident: The federal effect has created an entire generation of first-time property developers and owners.

Many of the new arrivals in Berlin have grasped the

opportunity provided by the move, relocating to larger and better equipped premises, or upgrading themselves from tenants to owners. The collective impact of their decisions has been to alter Berlin's economic geography.

"We're seeing quite a bit of [change related to the government's move] in our neighborhood," says Inge Wettig-Danielmeier, treasurer of Germany's Social Democratic Party (SPD), a pioneer among this new breed of property developers.

Bürohaus Berlin
Reportedly the largest real estate-related project in the political party's history, Bürohaus Berlin, the SPD's new national headquarters building, will be completed at the end of the year. "A building housing a number

of national professional and trade associations is going up right next door to Bürohaus Berlin. A whole range of media and other communications-related service companies have set up shop in Kreuzberg, which is immediately to the east, helping make that area Berlin's new center for such services," she adds.

From 'out' to 'in'

Once West Berlin's out-of-the-way home of unbeatable cheap rents and artists of all description, Kreuzberg is now one of the new, Wall-less Berlin's up-and-coming districts. Despite this gentrification, Kreuzberg has managed to retain its lively arts scene and its picturesque mix of ethnic groups.

Schöneberg, to the south and west of the Bürohaus,

didn't require much gentrification. Long one of West Berlin's prized residential neighborhoods, it has witnessed an influx of new hotels and restaurants in the post-war era.

"The maturing of the building's surroundings did of course represent a bit of beginner's luck," says Ms. Wettig-Danielmeier. "Our luck has also extended to the selection of the persons working on this project. Prominent among them is of course the building's architect, Helge Bofinger."

Celebrated architect
Based in Berlin and Wiesbaden, Mr. Bofinger is one of Germany's most celebrated architects. His vision of an office building exemplifying a modern urbanism was originally formulated in the early 1980s, for Berlin's

Internationale Bauausstellung, the decade's foremost showcase for architecture linked to far-sighted urban planning.

"The timing of the building's completion has also proven fortunate," adds Ms. Wettig-Danielmeier. "With the federal government's move now just over 24 months away," she points out, "many companies and professional bodies are beginning to seriously search for attractive space. And that, along with a great deal of built-in flexibility of con-

figuration, is precisely what we have to offer."

On January 1, 1996, Bürohaus Berlin will be officially inaugurated, bringing a four-year period of intensive activity and learning to an end for the SPD.

"I think the one prime lesson coming out of this period for us," says Ms. Wettig-Danielmeier, "is how few people it really takes to realize a project, even one of this size. These few people, of course, do have to possess the right expertise and amount of dedication."

COUNTING CONSTRUCTION SITES

Just how many construction sites are there in Berlin these days? "One figure we know for sure: There are 900 building sites in Mitte [the city's downtown district]," says Ralf Schlichting, spokesperson for Berlin's housing and building ministry.

How about the figures of 1,400 construction sites in Mitte — as counted by an indefatigable reporter for the Süddeutsche Zeitung — and 3,000 for Berlin as a whole?

"It all depends on what you consider to be a site," says Mr. Schlichting.

While such billion-mark mega-projects as the Friedrichstadt-Passagen office/apartment/shopping complex make everybody's list, such relatively small-scale ones as the revamping of individual apartment buildings are often overlooked. However they are counted, new construction projects are changing the face of the city.

"BUILDING A NEW BERLIN" was produced in its entirety by the International Herald Tribune's advertising department. It was sponsored by Verwaltungsgesellschaft Bürohaus Berlin, Stresemannstrasse/Wilhelmstrasse mbH. WRITER: Terry Swartzberg, a business writer based in Munich. PROGRAM DIRECTOR: Bill Mahder.

INTERNATIONAL

Bomb Blasts Egypt's Embassy in Pakistan

ISLAMABAD, Pakistan — A car bomb ripped through the Egyptian Embassy here Sunday, killing at least 14 persons and wounding about 60, Pakistani officials said.

Pakistan denounced the mid-morning suicide bombing.

"This is an act of terrorism; we are sorry," President Farooq Leghari said as he visited the wrecked embassy in the Pakistani capital's diplomatic enclave.

Prime Minister Benazir Bhutto sent a message to President Hosni Mubarak of Egypt, saying her government "condemns the perpetrators of such heinous violence and will do everything possible to bring them to justice," the state news agency said.

Three militant Islamic groups in Egypt took responsibility for the bombing. Claims were received by international news organizations from the

Gama'a al Islamiya, Islamic Jihad and the International Justice Group. More than 880 people have been killed in Egypt since 1992, when the Gama'a launched a violent campaign to overthrow President Mubarak and install an Islamic state.

In Cairo, Mr. Mubarak condemned the bombing as an evil crime "in opposition to all spiritual and humanitarian values." The attack was the worst on an Egyptian target abroad in years.

Moans and screams from injured workers, some trapped in the rubble, could be heard outside the embassy compound as rescuers worked to clear debris.

The blast occurred in the morning, when the embassy was in full operation.

Ambassador Mohammed Noman Ghalal was shaken but unhurt. The ambassador was in his residence, located

behind the embassy building, at the time of the explosion.

Pakistan's Interior Minister, Naseerullah Babar, told Parliament that 14 men had died, including five Egyptian officials, two of them diplomats. The rest were seven Pakistanis, an Afghan and one of unknown nationality. The Egyptian Foreign Ministry in Cairo said 15 persons died.

Pakistani officials called the attack a suicide bombing but gave different accounts of how it happened.

A police official said a bomb was first thrown at the embassy gate, apparently to clear the way for a suicide bomber, who drove a vehicle packed with explosives into the compound.

"According to the details available so far it was a terrorist act apparently perpetrated by a suicide bomber who may have blasted his way through the gate and set off a high explosive device in a

pickup van." Foreign Minister Asef Ahmad Ali said in a statement.

But Mr. Babar said that, because the blast occurred inside the compound, the attack could have been carried out by people known to the embassy who were allowed into the premises.

The blast tore a crater about 20 feet wide inside the embassy compound.

The bombing was the boldest militant operation since gunmen opened fire on an armored limousine carrying Mr. Mubarak to a conference in the Ethiopian capital, Addis Ababa, in June. The Islamic Group also took responsibility for that attempt and, last month, for a bombing in the Croatian port of Rijeka that killed one person and injured 29.

Last week, an Egyptian diplomat was shot and killed in an underground parking garage in Geneva, where he worked at Cairo's mission to the UN.

(Reuters, AP, WP)

LANGUAGE

A WASHFAX on Spookspeak

By William Safire

WASHINGTON — Neither the NIO for warning nor any of the SIBs knew that this article was being prepared for publication. Transmitted outside the WASHFAX, it has not appeared in the latest SNIE and was done with no knowledge in Deutschland.

"Deutschland" is what the surly set at the Central Intelligence Agency calls the mole-shocked agency in its post-Ames era. John Deutch, the new DCI (director of central intelligence), is a hearty fellow from MIT and the Pentagon, given to hugging and back-rubbing insecure case officers, who suspiciously refer to such physical reassurance as "the hug of death."

As the agency staggers from being penetrated by the KGB to being rigorously examined by CODELS (Congressional Delegations), one element of its culture remains sacrosanct: spookspeak. In the land of acronyms, we now have FUSS (Fleet Undersea Surveillance System) and FORMICA (not the counter-top material, but Foreign Military Intelligence Collection Activity). But initials — without the creative acronymic word-formation — is rampant.

Take it from the top: within the NIC, or National Intelligence Council, there are NIOs, or National Intelligence Officers; the guy who tries to keep the government from any blinding by the competition or the media is the NIO for warning. He is in close touch with members of the Strategic Intelligence Board, or SIB, whose brothers under the skin are SIBs, and they all share SNIEs — Special National Intelligence Estimates.

A WASHFAX is a secure, encrypted telephone fax line that nobody in the intelligence community trusts. If the communication was until recently labeled WINTEL/ORCON/PROPIN, the spooks felt better hand-carrying it over. WINTEL meant that remote sensing technology — like a long-distance bug — was used to gather the information. ORCON meant "originator controlled," with the writer to be consulted about future clearances. PROPIN meant "contains proprietary information."

like the formula for Coca-Cola syrup or the sketches for a French designer's collection.

The INT, for "intelligence," is a standard acronym-former: HUMINT is "human intelligence," SIGINT "signal intelligence," which includes "KEYHOLE," the code word for data derived from an imagery satellite, and MASINT, "measurement and signature intelligence," the telltale clues to identity picked up by acoustic, nuclear, and seismic sensors, hand-carried over (not the WASHFAX, stupid) to the ASD (C3I) who is assistant secretary of defense for command, control, communications and intelligence, who was hugged by Deutch and survived. An unofficial usage is RUMINT — for "rumor intelligence," the gossip and scuttlebutt that often proved more reliable than the HUMINT sent in by one of the KGB or Stasi double agents who the DDO (deputy director for operations) thought was working for us.

The word from DODIPP (the Department of Defense Intelligence Production Program) is that PROPIN is no longer used. The intelligence community's sort-of-secret budget (\$28 billion and change) will depend on how well it does on the economic staff; because its plan is to set up more "front" companies to run agents abroad, future phony corporate entities like the Deutschland Seismic Sensor and Escort Service will be sourced in agency documents with a word that does not indicate anything to do with "proprietary." I do not include the new code word here because I am not eager to help French counterintelligence.

The key element in many intel estimates is probability. Within the community, the word used for the lowest probability is conceivably. A less-than-50 percent chance draws a possibly, and just over 50 percent a probably. In the 60 to 70 percent range, spooks use likely, and in the 80s it gets to almost certain. An estimated sure thing is no doubt, a rarity. One member of the community, not in the Defense Intelligence Agency, defines conceivably this way: "Nobody but DIA believes this, but if we didn't put it in, they wouldn't coordinate, and we figured it wasn't worth the fight because no sane reader would take it seriously."

New York Times Service

Q&A / Japan's Software Wizard

PCs Are Business and 'Religion'

Masayoshi Son was a software distributor and a computer magazine publisher in Japan last year. This year, he was the host of Comdex, the computer industry's 225,000-person annual trade show in Las Vegas, following his \$800 million acquisition of Interface Group Inc.'s conference division. Earlier this month, he closed a \$2.1 billion purchase of Ziff-Davis Publishing Co., the No. 1 U.S. publisher of computer magazines. Known as the Bill Gates of Japan, Mr. Son, 38, spoke about his 300-year plan for his Softbank Corp. with Mitchell Martin of the International Herald Tribune during Comdex in Las Vegas.

Q. Your two prominent acquisitions have thrust you into the limelight this year. Why has all this happened in 1995? Is it part of your 300-year plan?

A. We were a very private company until last year. We became a public company in Japan in July of last year. Until that time our course of actions were limited in terms of access to capital.

Q. You have described yourself as a Japanese whose family came from Korea three generations ago; 23 generations before that, your ancestors moved from China. Do you consider yourself Japanese, Korean, Chinese or Asian? Or none of the above?

A. I would say I am mixed cultures. I don't think much about that any more. This world is becoming borderless, and I am a personal computer citizen.

Q. Where do you live?

A. In Tokyo, but I am coming to the

States every month now. But my family lives in Tokyo.

Q. You and Bill Gates are personal friends. How did that come about?

A. We knew each other for a long, long time through software distribution and publishing. In our industry, there are many people who have a lot of passion that you can feel. I do respect him for that reason, and I hope he feels some kind of sense that I am expressing that.

Just a couple of months ago in Paris, we sat down more than three hours in my suite, just one on one. We took off our shoes, both of us, shared the pizza half-and-half and the spaghetti half-and-half with two cans of Coke. We kept on talking, talking about Internet, about how the PC is going to evolve and what kind of opportunities there are, which companies are going to grow in our industry and which are going to have troubles. I said my opinion and he said his. We kept on talking until almost midnight.

The thing is, I do respect and like the people who love PCs, who love the information industry because it is not just business for us. It is like a religion. We share a common belief. That is important.

Q. If you could put that belief into words, what would it be? Oil is important too, but people don't get excited about it.

A. I think that personal computers and information technology is the extension of the human brain.

All the other industrial inventions and products were extensions of muscles. It's not that exciting. You can run faster, can lift something heavy, that's great. But the

PC is the extension of your intellectual capacity, that has the biggest impact on the way people live.

Q. Las Vegas is stretching to accommodate Comdex. Is it still an appropriate place for the show?

A. When I was just one of the attendees, I was complaining about the taxi lines, now, because I'm on the other side, I feel happy. But there is some level that we should manage, otherwise, if we get over that limit, then people wouldn't come.

Fortunately, Las Vegas is still building huge new hotels and the Convention Center has plans to expand, so many of those issues would be eased.

Q. So then Comdex is staying in Las Vegas for the foreseeable future.

A. We don't have a plan to move out. But we have no religion to stay here, it's just business reasons.

Q. You have said that you want to provide infrastructure for the computer industry that helps technology companies do business and does not compete with them. But your purchase of the Ziff-Davis publications puts you into competition with the other big computer magazine publishers, CMP and International Data Group.

A. Infrastructure is something that you could define in many, many different ways. You could say that a highway or a bridge is infrastructure. But then there is another bridge that you can use. There is another highway that you can use. So there is no 100 percent infrastructure that you have to have.

Millions To Tune In To Diana's Interview

By Eric Ipsen

International Herald Tribune

LONDON — At 9:40 Monday evening London time, millions of people will have an opportunity to watch something that they have never seen — a solo interview with Diana, the Princess of Wales.

"Diana is an international phenomenon," said a spokesman for the BBC, which will carry the interview on its program "Panorama." "It is difficult to think of anyone in the world who people would more like to hear from."

Those, however, who are hoping for a no-holds barred interview will apparently be disappointed. According to accounts in the Sunday Telegraph, whose editor has close ties to the princess, Diana takes the high road and sticks to it in the interview, which took place earlier this month at Kensington Palace in London.

Leaked segments suggest the princess will not seek a divorce from her husband, Prince Charles. "There are two children involved here," she reportedly says.

Similarly, the princess reportedly cites the best interests of her two children, William and Harry, in denying that she is seeking to destroy the House of Windsor. Any blow to the royal family, she notes, would ultimately bruise her sons.

Far from using the broadcast to lash out at Prince Charles, whose televised confession of infidelity shocked Britain last year, the princess defines a new role for herself.

Part of that new role will apparently include more interviews — two more, in fact, are said already to be in the works. "I am not going to let the country down," she said. "I am not going to run away."

Since the existence of the interview was first disclosed on Tuesday, the BBC said it had been besieged with bids from broadcasters around the world vying for the right to carry it.

Among the first to sign up were Germany's RTL2 and the ABC television network in the United States. The latter reportedly paid \$1 million for the exclusive American rights for the 60-minute interview.

At least that is what they hoped they were getting. The broadcasters had to bid blind. Only eight people at the BBC had viewed the closely guarded tape, and they remained mum as to its content.

Tape to Be Shown In 111 Countries

International Herald Tribune

LONDON — The first solo interview given by Diana, the Princess of Wales, will be shown in 111 countries on BBC World, the BBC's international news and information channel.

The hour-long interview, on the current affairs program "Panorama," will be shown simultaneously at 21:40 GMT Monday on BBC-1, the BBC's domestic channel; BBC Prime, the entertainment channel available on cable in Europe, and BBC Arabic Television in the Middle East.

It will be rebroadcast at 12:05 GMT on Tuesday, and at 15:05 GMT next Sunday.

The interview will also be broadcast in these countries by these channels:

The United States (ABC-TV), Canada (CBC), Germany (RTL2), Lebanon (LTV), Indonesia (RCTI), Portugal (SIC), Switzerland (German, RTSI), Hong Kong (ATV), Taiwan (CTV), Philippines (RPN9), Japan (NHK) and Israel (IBA).

Arafat, in Jenin, Calls Peace Safe From Assassins

Compiled by Our Staff From Dispatches

JENIN, West Bank — Yasser Arafat made a celebratory visit Sunday to Jenin, the first West Bank city to gain autonomy under the latest Israel-PLO agreement, and promised the cheering crowd that soon "we shall pray in Jerusalem."

The leader of the Palestine Liberation Organization also told thousands of cheering

Palestinians that they had been "liberated" under a peace deal with Israel that no assassin's bullet could kill.

Jubilant Palestinians whistled and clapped as Mr. Arafat arrived by helicopter Sunday to celebrate the start of autonomy in Jenin.

"In the name of God we meet here in liberated Jenin," he told the crowd. "Together

we shall build an independent Palestinian state."

Protected by hundreds of bodyguards, Mr. Arafat addressed crowds, then led a cabinet meeting of his Palestinian Authority during a four-hour visit, his third trip to the West Bank since self-rule began in Gaza and Jericho. Security was heavy following the assassination on Nov. 4 of Prime Minister

Yitzhak Rabin of Israel. "The peace process goes on," he said. "Nobody will be an obstacle, especially those who use their guns for assassination."

Israeli troops pulled out of the center of Jenin last week. Five more cities and part of Hebron are to be evacuated soon to allow for Palestinian elections on Jan. 20.

(AP, Reuters)

AMERICAN TOPICS

California Relaxes Electric Car Mandate

California is modifying a requirement that, within two years, 2 percent of all cars sold in the state be electrically powered.

John Dunlap, chairman of the California Air Resources Board, said that instead of the quota for the 1998 model year, the state would negotiate with automakers to begin getting those cars on the market by next year.

He said he wanted "a market-based approach, which would provide more flexibility than the current 2 percent production requirement."

The change could have a broader effect, since New York and Massachusetts have adopted California's 2 percent standard and it is not clear whether they can maintain that quota if California drops it.

California has not yet begun negotiations with the automobile makers.

Some electric car advocates fear that if California abandons a firm rule and merely seeks a negotiated settlement, Eastern states may have no choice but to accept federal rules that have no electric car requirements.

But S. David Freeman, a former executive of the New York Power Authority, said the California agreement could be good news. "Once you get thousands of electric vehicles on the road anywhere in America, I think we're off to a new generation of motor vehicles," he said. "The genie is unleashed."



SAY HOT — Oregon firemen posing at a training blaze.

Short Takes

U.S. highway signs are unlikely to go metric anytime soon. The federal government abandoned efforts to convert from miles to kilometers after Congress refused to pay for replacing signs and passed the expense on to the states, which balked at the idea.

timated half a billion dollars.

Being superintendent of Ellis Island and the Statue of Liberty in New York Harbor is a labor of love for Ann Belkov, 56. Her grandparents on both sides of the family, fleeing persecution of Jews under the czars of Russia, immigrated through Ellis Island early in this century. As an immigration station, Ellis Island, admitted 17 million immigrants from 1892 to 1954. It is now a national museum. "It's awesome to work here," Miss Belkov says. "It's my Plymouth Rock."

Westchester County, harboring Larchmont, Pelham Manor and other wealthy suburbs of New York City, has a brand-new air terminal, replacing the World War II Quonset hut that was supposed to be temporary. A new terminal was delayed for decades because suburbanites feared expansion would bring more noise and pollution. The gleaming new \$21 million terminal is the same size as the old one.

A new book, "America's Dumbest Criminals," has been compiled by Leland Gregory, Daniel Butler and Alan Ray. They toured the United States for four months talking to law officers. Some of the stupidest malefactors were the convict who escaped from prison on the 89th day of a 90-day sentence and was recaptured and sentenced to an additional 18 months, and a Nevada robber who let a store clerk make one phone call during a holdup and seemed surprised when the police showed up.

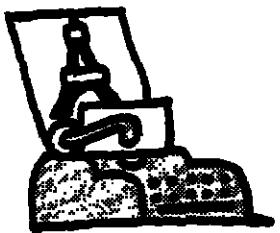
International Herald Tribune

BOOKS

WHAT THEY'RE READING

• Fiona Lazareff, publication director of Boulevard Magazine in Paris, is reading "Exiled in Paris" by James Campbell.

"It's about the intellectual life set living in postwar Paris, a very important time in the history of literature. The book is full of the most lucid and shapely anecdotes which took place over a period of 14 years." (Margaret Kemp, IHT)



women, gangsters, sexual predators, gamblers, weaklings, tyrants, prostitutes — the whole ill-favored, deformed human family.

The writing in "Rice" is strangely wooden at times, especially the dialogue, which too often simply fails to ring true. Life in the rice shop is so devoid of warmth or wisdom or love that the very unrelieved nastiness of its human relations becomes almost monotonous. And yet "Rice" has a grim, satirical power that makes it difficult to put down.

Its characters are mean and treacherous, but also full of a redeeming vitality. They stick out of the earth like brambles, shredding whatever gets close but also clinging to it, and they never give up. And while Su's prose is sometimes as his characters, he is an imaginative and skillful storyteller.

As the title suggests, rice is at the center of things, not just as the product sold in the shop, the dietary staple of China, and a

source of wealth, but as a kind of life force, the focus of an erotic veneration. Su's sex scenes are the ways take place amid the smell and texture of the rice.

"Resting against the mound of rice was like lying in a big cradle," Su writes as Five Dragons spends a night in the shop's storeroom. "Rice must be the best sleeping position in the world, he sensed, certainly more effective than a woman's body." Su's caricatured depiction of is of human nature itself, not just human nature under certain circumstances. "Rice" virtually revels in the inherent propensity of people to inflict misery on others and on themselves.

Su's literary vision is a grim and despairing one, which is perhaps a kind of fault. It also makes "Rice" the kind of book that brings relief when the last page is turned and, at the same time, that prints itself on the mind.

Richard Bernstein is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ON the diagrammed deal, Peter Weichsel arrived quickly in five clubs. After the lead of a spade, he ruffed in his hand and cashed the club queen. Sure from the bidding that both top diamonds were on his right, he then set a trap for West by leading the diamond nine. When that player failed to cover with the ten, he played low from dummy, a so-called Chinese finesse.

East won with the diamond king and shifted to the heart queen. South won with the ace, crossed to the club king and threw his remaining diamond on the spade ace. He then led the diamond queen. It did not matter whether East covered; if necessary, Weichsel could reach the dummy by leading the club to the four. He had made his game by brilliant play.

Larry Cohen and David Berkowitz were East and West at another table and defended with equal brilliance against the same five-club contract. South won the spade lead with dummy's ace, throwing a diamond from his hand, and led the diamond five. After much thought, Cohen played low, judging that the contract was probably unbeatable if South held the diamond ten. Berkowitz won with the ten

and returned a spade, ruffed with a high trump. South used two trump entries to dummy to ruff diamonds and then cashed the ace of hearts.

When a heart was led from the closed hand, Berkowitz had to decide whether his partner's remaining heart was the jack or a small card. He eventually made the winning play of the nine, defeating the game, for a subtle reason:

North would not have played in this fashion with ace-queen of hearts. So Cohen's correct play with queen-jack would have been the jack, giving his partner the information he needed.

Both sides were vulnerable. The bidding: East 1♠, South 2♠, West 3♠, North 4♠. Both sides were vulnerable. The bidding: East 1♠, South 2♠, West 3♠, North 4♠.

Continued on Page 20

FLY OUR COLOURS, SMOOTH AS SILK TO THE WORLD.

Thai now brings you
more of the world than ever
before. More countries in
Asia, Europe and worldwide.
And, naturally, more of the
smooth as silk service
for which we're renowned.
Thai. Smooth as silk.


Thai

SOUTH

GLOBALIZATION CONTINUES, ECONOMY BACK ON TRACK

An influx in imports has spurred local companies to invest more abroad.

When, in 1992, Kim Young Sam became South Korea's first democratically elected president in 30 years, some South Koreans expressed doubts about his chances for success, feeling that the president's reform measures would cause the economy to decline.

Their fears were not realized. After a slump that began in the late 1980s, South Korea is now riding the crest of export-led growth, with particular gains in the steel, electronics, automobiles and shipbuilding industries.

Local corporations are becoming more international, and the country is in general well on the road to achieving the stability and diversity of a fully developed economy, in spite of the scandals involving the previous government that the current government must deal with.

Internationalization campaign

The chief goal in the Kim government's *segyehwa* (globalization) drive — to make South Korea more international rather than simply concentrate on economic growth — was well timed. South Koreans, for perhaps the first time in recent history, have begun to gain confidence in their country's potential to become a major player on the international scene.

Yet the *segyehwa* campaign has not been without problems. The developed world no longer regards South Korea — with its involvement in the United Nations, the OECD and other international organizations — as a backward country deserving special concessions.

"You can't have it both ways," says Robert Murphy, a commercial attaché at the U.S. Embassy in Seoul. "If South Korea is going to be a global player, it must be a global contender." In other words, it must learn to compete on an

international scale. Koreans in general are favorable toward *segyehwa*, but some remain skeptical. There are those who claim (along with some foreign observers) that Seoul has done too little to open its markets.

Need for more reforms

Others point out that reforms decided on at the top have failed to filter down to the business community. And some recent moves by the government have added to the doubts. The decision to put the brakes on overseas investment by South Korean companies by requiring them to source at least 20 percent of their overseas investment funding from their own coffers has proved an impediment for some companies.

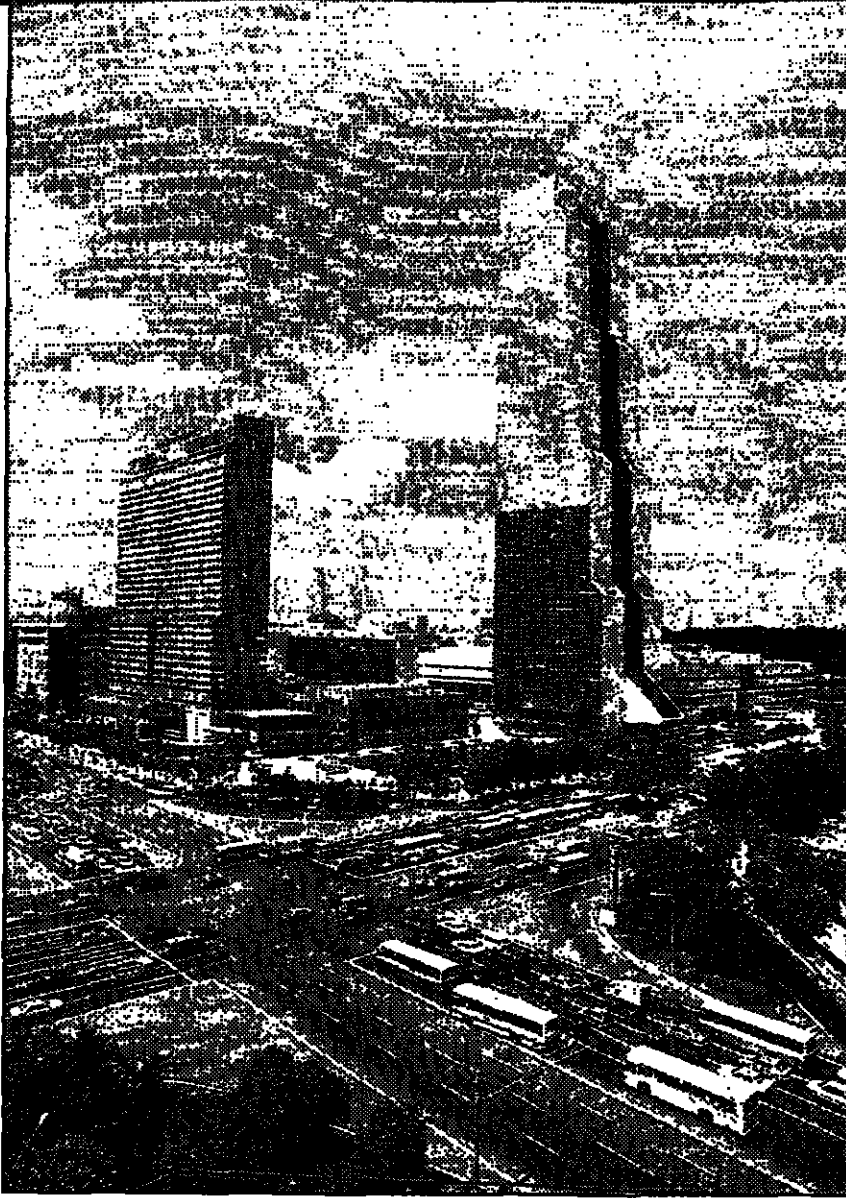
The problem of an unpredictable, underdeveloped North Korea is an additional burden, as is the current kick-back scandal involving former president Roh Tae Woo in which top business and government figures may be implicated.

Deregulation continues

In spite of the problems, deregulation continues. By 1996, foreign investors will be allowed to purchase Korean companies if the majority of the shareholders in those companies agree to the sale. Foreign-owned companies will be listed on the Seoul stock exchange in 1996 as well.

The expected influx of foreign capital, along with increased opening of markets, should further stimulate the stock market next year.

Concerning the financial sector, liberalization has meant that corporations are now relying more on direct financing and bond issues to fund investments in new projects, with commercial banks becoming more active in



Seoul's World Trade Center is only one sign of South Korea's drive to become more closely linked with the international business community.

blue-chip securities. One beneficiary of the new liberalization is South Korea's telecom industry. The monopoly enjoyed by Korea Telecom is set to end next year when 49 percent of shares in the company are to be sold, and 34 South Korean companies are to be allowed to begin operating in this sector. They will be offering personal communications, trunked radio, cordless telephone, paging and other services.

Localization

Localization is another important new development. The government, as the June 1995 elections showed, is becoming less centralized, with communities outside Seoul gaining a stronger voice in such issues as economic development and environmental protection.

Investing in infrastructure

South Korean companies are increas-

ingly investing in infrastructure and other projects outside the capital. A total of 8.6 trillion won (\$11.1 billion) is expected to be invested by private companies in domestic infrastructure projects in 1996.

The government, whose own infrastructure investment reached 6.7 trillion won in 1995, a 21.9 rise over the previous year, recently announced an 8 trillion won infrastructure budget for 1996.

Foreign investors have been invited to join in the open bidding for the contract to construct a new international airport off Yongjong-do island.

New spending patterns

Changes taking place in the general economy are affecting South Koreans in other ways. Increased prosperity has

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KOREA

NEW CONSUMERISM MARKS ECONOMIC COMING OF AGE

Increasingly affluent South Koreans are favoring luxury goods.

Located on the south side of the Han River, Seoul's southern district has the city's most expensive apartments, best schools and most prestigious consumer goods. Luxury items like the likes of Gucci, Dunhill, Cartier and Louis Vuitton fill the area's boutiques.

In the evenings, locals flock to Japanese and Western restaurants, halfway houses between early-evening meetings at trendy coffee shops and late-night visits to rock cafes where Western pop stars shimmy across wide-screen TVs.

Marketing firms see the strict as an experimental laboratory testing ground for new fashions and products. Like Japan's *shinsekai* generation, whose fashion-conscious eyes and high spending have made Tokyo's Akasaka street a fashion center, the affluent younger generation of Seoul has turned the southern district of the city into a center of international culture.

In a country where standing apart from the crowd is still sometimes frowned upon, this district is an exception. Super-mini leather skirts, fashionable hats, leather boots, flashy makeup and colorful, offbeat outer wear. No one pays the least bit of attention.

New trends

The stylish young people of the 1990s represent a new trend in South Korea. They are very different from the "jeans generation" of the 1970s and the "deebak *munhwa*," or campus culture of the 1980s, when a rebellious, distinguished look was the symbol of youth. Then, drinking *soju* (soybean milk) at a simple eatery with friends was the main source of social contact and entertainment. Seeking pleasure in luxury was seen as a shameful endeavor.

While many older residents of Seoul

can recall the devastation of the Korean War, the younger generation, protected from such disasters, is preoccupied with a new brand of consumerism.

Spending patterns

South Koreans' spending patterns have changed dramatically in the past few years. An average Seoul family in 1995 has an average monthly income of around 1.8 million won (\$2,300) and spends around 1.3 million of that during the month. These new consumers eat out often (usually in trendy Japanese or Western-style restaurants); purchase the latest electronics items like cellular phones, personal computers and wireless pagers; buy late-model cars; travel abroad regularly; and spend a great deal of time and money on sports and other leisure activities.

Taking advantage of these trends, major Western franchise restaurants have been opening throughout the capital. Coco's was a pioneer in South Korea through a joint venture with the local Midopa department store. Asian Star has introduced TGI Friday franchise restaurants, and, during the past two years, Sizzler, Skylark and Planet Hollywood restaurants have opened in South Korea. All these franchises are owned and run by Korean companies, which pay from 2 percent to 3.5 percent of their sales profits to the originators of the franchises.

Cellular phones

The local cellular phone market is another example of the new consumerism in South Korea. "The current Korean cellular phone market is like what the U.S. cellular market was five or six years ago," says James N. Wilson, Jr.,

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NEW MODELS POPULAR ABROAD REFLECT COMPETITIVE AUTO INDUSTRY GROWTH

Slowly but surely, local automakers are expanding abroad: South Korea is the world's fifth-largest automaker.

One company's results tell the story: In 1986, Hyundai Motor Co. shipped 3,000 Pony cars to the United States and produced a total of 240,755 cars at its South Korean plant. In 1994, the company produced 1.35 million cars in Korea and 100,000 cars in its foreign plants, and exported 149,207 cars to the United States and Canada combined. Today, Hyundai plans to expand its car production to 2 million per year, including 400,000 cars produced at its overseas plants, by 2000.

Hyundai's entry into the U.S. market was well-timed. American consumers, switching to energy-saving imported small cars, favored Hyundai's Pony as a cheaper alternative to Japanese cars.

"We had waited for 10 years until we could offer our own best model to the United States," says Shin Dong-woo, manager of Hyundai's planning division in the company's Seoul headquarters. "The United States is an important testing ground to test our potential as a car exporter. We knew that if we failed in the U.S. market, we would have little chance to export anywhere."

Lucrative domestic sales
The growth of South Korea's auto industry involves many factors besides the successful entry into the U.S. market. Both Hyundai, the country's biggest automaker, and number-two-ranked Kia Motors Corp. have developed their own models instead of merely copying cars produced in the West, thus creating a market niche. Daewoo Motor Co. has proved to be successful at entering emerging markets. And all Korean automakers have reported increased sales to the Japanese market as a result of the high

yen, although the current decline in the yen's value may cut into these sales.

Perhaps most important for South Korean automakers, the domestic market, fast-growing and highly protected from foreign competition, has provided the capital needed for funding research and development.

New scenario

This rosy picture may change, however. Aggres-



Roll 'em out: South Korea's auto exports are growing fast.

sively priced small cars are proving less popular to quality-conscious Americans than middle-sized cars. And Japanese car companies are proving more competitive in the lucrative U.S. market through their establishment of U.S. production sites. The domestic market is slowly opening to foreign competition. And the rising value of the won will reduce profit margins. The entry of the Samsung group, the South Korea's biggest conglomer-

ate, into the domestic car market will cause price competition to increase dramatically.

"Further growth is the only way for us to survive the competition," says Chung Pil-kyong, manager of overseas export planning for Kia Motors. South Korean automakers in general say that they have only two ways to continue growing: One is to focus on developing their own models

should produce at least 2 million cars a year and should offer at least five of its own models, with 300,000 cars of each new model produced a year. Otherwise, it will have little chance of survival," says Shin Dong-woo, a manager of Hyundai Motors.

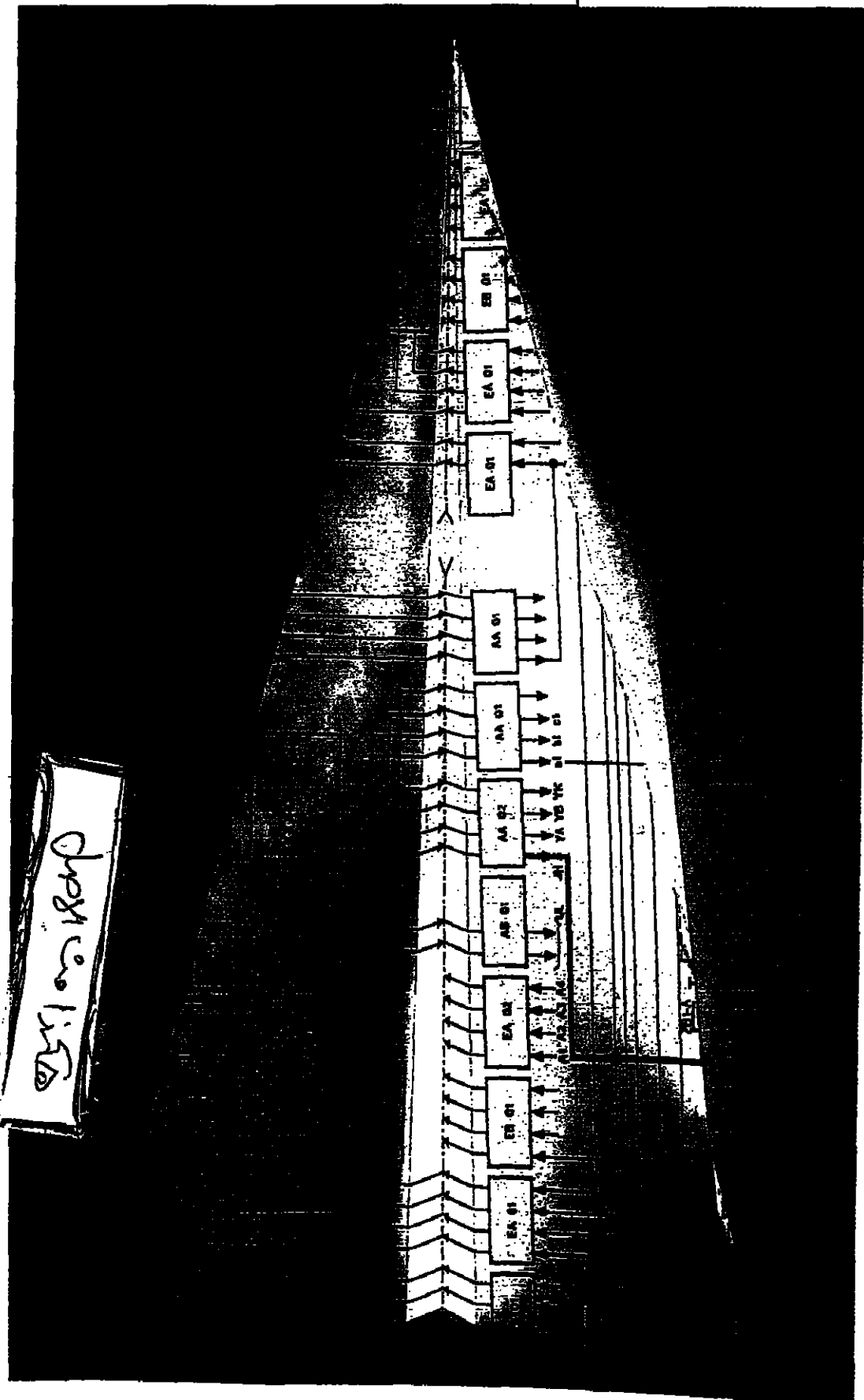
All of South Korea's big three automakers are nearing their goal of making 1 million cars a year, and all now plan to expand capacity to 2 million cars per year in the 21st century. "So far, it has been an uphill battle for us to offer at the right price," says Chung Pil-kyong of Kia Motors. "But, once we start producing 1 million cars a year, we will be in much better shape, as we will have the production capacity to increase profits, and the technology to keep rolling out new models."

New markets

Daewoo Motors has focused on developing the new markets of China and Russia. "Our policy focus is to offer contract terms that will best suit their local needs in China," says Kwon Oh-joo, a researcher at Daewoo. Instead of exporting finished cars to these new markets, Daewoo offers its components and technological know-how to local producers.

Kia Motors has been South Korea's most active exporter of complete knock-down components to Asia, the Middle East and Africa. Kia also provides its used facilities and know-how in production in return for royalties. Kia's Chung Pil-kyong at Kia says, "The importing countries want components more than finished cars as they want to have their own car industry grow."

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"SOUTH KOREA" was produced in its entirety by the International Herald Tribune's advertising department. WRITER: Ahn Mi-young, who is based in Seoul. PROGRAM DIRECTOR: Bill Mahder.

Can you see
the global
of technology

Yes, you can

S O U T H K O R E A



Shoppers take a break: Western consumer goods are top sellers in Seoul's shopping malls.

NEW CONSUMERISM REFLECTS ECONOMY

Continued from page 12

managing director of the Korean subsidiary of Southwestern Bell, which has invested in South Korea's second-largest mobile telecom supplier, Shinsegi Mobile Telecom.

Cellular phone makret
"The cellular phone market here has grown by 50 percent over the past five years, and is expected to double from 960,000 units sold in 1994 to 1.9 million by the end of this year," Mr. Wilson adds.

In a culture in which drinking alcoholic beverages is an important part of social

and business life, the local drinks market is expanding rapidly. Imports of foreign whiskeys have been allowed since 1993, with consumption growing dramatically. Local companies are creating their own products.

Clean water
South Koreans' preoccupation with the quality of their drinking water has fueled the growth of the bottled water market, which now includes 15 domestic suppliers. Even city officials admit that clean water from Seoul's reservoirs becomes contaminated in holding tanks and pipes. Indeed, virtually no one in the capital

drinks tap water anymore, at least not before boiling it. Sales of bottled water topped 90 billion won last year and are expected to grow by at least 50 percent this year, according to the Korea Mineral Water Manufacturers Association.

Health food has become another top seller. The market for traditional Asian health foods (brown rice, exotic mushrooms, kale, aloe and powder from the antlers of young deer) is growing, as is the market for diet foods of all kinds.

Education is another focus
South Korean parents spend about one-third of their year-

ly salary to educate their children. After-school classes in taekwon do, violin, mathematics and writing make up part of the total expenditure, with competition to enter the best schools increasing each year.

Many parents prefer to send their children to the United States or Canada for their education. "It has become cheaper to have our son study there," says Kim Mi-hwa, one housewife who recently sent her 15-year-old son to a school in Canada. "It is better for him to be free from the intense competition here. He can also grow into a more open, international person."

Can you simplify
the global exchange
of technology?

When Thailand legislated that industrial electricity users had to supply their own substations, the local economy didn't have the know-how. ABB reacted

with a swift hands-on transfer of technology. A "Tiger Team" of technicians flew in from Scandinavia and Saudi Arabia, to share skills and experience with Thai engineers, and handled the first project for the Thai Plastic Company. Next, ABB started local assembly and manufacture of switchgear, creating a whole new local industry. The "Tiger Team" remains involved in information exchange, but now the students are teachers too.

As a leader in electrical engineering for the generation, transmission and distribution of power, and in industry and transportation, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB operations are local and flexible.

That means we are close at hand to help our customers respond swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the head of world class technology.

Yes, you can.

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COMPETITIVE BANKING AND FINANCE
WORLD OPENS TO FOREIGN PARTICIPATION

Competition is still new to South Korea's banking and finance sectors, but it's growing.

As recently as 1991, competition was rare in South Korea's banking and finance sectors. Interest-rate restrictions in the past enabled banks to guarantee a certain ratio of interest income. Once a bank had an extensive branch network to attract depositors, local corporations practically stood in line to be awarded loans. The barrier between commercial and investment banking provided highly protected, risk-free profits for banks.

All this changed in 1993, when South Korea gradually lifted ceilings on interest rates for savings and short-term deposits, resulting in a pronounced drop in banks' interest income. At the same time, the government began to dissolve barriers between commercial banks, trust companies and securities companies, thus paving the way for increased competition. By Western standards, South Korea's financial sector remains closed in many ways, but the pace of deregulation has never been faster nor more comprehensive.

Foreign management allowed

In September 1995, the country's Ministry of Finance and Economy announced that foreigners will now be able to take over the management of both listed and unlisted domestic companies, as long as the companies' major Korean shareholders are in agreement. Foreign companies still will not, however, be allowed to acquire companies involved in strategic industries such as defense, nuclear power generation, communications and broadcasting. The Pohang Iron and Steel Co. and the Korea Electric Power Corp. will also be closed to foreign management or ownership.

According to the ministry's announcement, foreigners will eventually be able to engage in hostile takeovers of Korean companies when the aggregate foreign stock ownership ceiling is raised significantly above the current 15 percent. At present, foreigners are allowed to own only a new business that they establish in South Korea, not take over an existing one.

The current 15 percent stock ownership rate for foreigners is in itself a recent advance: it was raised from 12 percent only in July 1995. "For foreigners, most of the blue-chip stocks have already reached the 15 percent ceiling," says Lee Song-dong, manager of Korea Investment.

"The next target [for foreigners] is financially weak small and medium-sized companies that have an R&D growth potential." Blue-chip companies include Samsung Electronics Co. (SEC), which is in a particularly strong position, posting high sales figures and a strong position in the growing semiconductor market; Hyundai Engineering and Construction, benefiting from a new focus on developing the country's infrastructure; and Cho Hung Bank, which holds a 23 percent share of the banking market. U.S. investors now constitute around 50 percent of the foreign investors in the Korea Stock Exchange, but Japanese investors are the most rapidly growing foreign group.

Stock market changes

Observing Korea's stock exchange is like waiting for the pot to boil: Everyone knows it will begin to surge sooner or later, but when? According to some analysts, the KOSPI might reach a record high of 1,100 to 1,200 by the end of 1995. Such optimism is based on good prospects for lower interest rates, stable prices, and healthy economic growth. Institutional investors in particular are expected to expand their stock investments. South Korea's market capitalization stands at only around 50 percent of the country's GNP, leaving much room for growth. South Korea's commercial banks can now raise the rates they charge for loans to strategic industries and can also raise deposit rates and sell government bonds. Competition is increasing, not only among the banks but also between them and other financial institu-

tions, including stock brokerage and insurance companies. This domestic competition has proved an impetus for the banks to try to globalize their operations. Cho Hung Bank took the bold route to Europe: On July 7, 1995, the Swiss Bank Corporation and IBI Asia, acting as joint lead managers, launched the syndication of \$200 million in five-year floating rate notes (FRNs) for Cho Hung Bank, making it the first Korean bank to issue FRN bonds that will be traded as bonds in both Europe and Asia.

Only a few years ago, syndication loans were the major channel for Korean commercial banks sourcing funds from international money markets. "This time, we wanted it [FRN bond trading] to be more liquid, with a broader investor base targeting Europe, and actively traded," says Park Hun-jin, assistant manager of the international finance team at Cho Hung Bank. In another move to internationalize, Shinhan Bank acquired Marine National Bank of the United States for \$12 million in September this year in an effort to expand into North America and Latin America. The move made Shinhan the first Korean commercial bank to buy a foreign financial institution on a traditional merger-and-acquisition basis.

The domestic bond market remains the most immune to liberalization. Non-guaranteed bonds of small and medium-sized companies are the only bonds that foreigners are currently allowed to buy. "But, except for a handful of R&D-active small and medium-sized companies, these companies are not interesting to foreigners," says Lee Sung-dong, manager of Korea Investment Trust.

Bond -market interest rates

A sharp gap between the interest rates of the domestic and overseas bond markets remains. As of Nov. 6, yields on bank-guaranteed corporate bonds with three-year maturity hit a low of 11 percent. "Any small opening in South Korea's bond market will spark a massive inflow of money into it," says Lee Sung-dong. South Korea has now opened one route for foreigners to invest indirectly in the South Korean bond market through eight investment trust companies. These companies have issued around \$300 million worth of bonds to date, \$150 million of which have been purchased by foreigners.

Joint investment trusts

As of 1996, foreign companies will be able to set up joint investment-trust companies with local partners, and domestic securities companies and foreign investment trust companies are now actively searching for potential links. Invesco, a British investment trust company, is investigating such a partnership, probably with LG Securities, according to some sources. Dongshin Securities Co. is also known to be in contact with a U.S. investment trust company concerning such a venture. Financial groups such as Fidelity of the United States, Jardine Fleming of Hong Kong and Mercury of Britain are also showing growing interest in South Korea's investment-trust market.

Beginning in late 1996, South Korea is to initiate a stock index futures market. Officials involved in the project have said that foreign involvement is inevitable, but the government has reported that it plans to restrict foreigners from participating in the stock index futures market for the first year or two, until domestic investors restore competitiveness against foreign investors. The spot market, however, will not be subject to this restriction. "It is difficult to treat domestic and foreign investors on an equal footing, because advanced countries' investors have accumulated trading techniques, and stock-index futures markets are highly speculative," says one Ministry of Finance official.

NEW FINANCIAL REFORM MEASURE
TARGETING INTEREST INCOME

South Korea's "Aggregate Financial Income Taxation" law, effective beginning January 1996, will impose higher taxes on interest income accrued by wealthy individual investors: it will also lower the corporate income tax by 2 percent for small and medium-sized companies.

The major targets of the new measure are wealthy investors, known locally as "big hands," who have made fortunes in the so-called "curb market," of street vendors selling shares in businesses. The curb market now totals an estimated 11 percent of the country's GDP, according to the Korea Institute of Finance, a private research organization financed by the Federation of Korean Banks.

The new law is also aimed at South Korean individuals who earn 40 million won (\$52,000) per year or more from money deposited with fi-

nancial institutions. The Ministry of Finance and Economy says there are around 30,000 investors in this category.

Not surprisingly, many wealthy investors are currently looking for tax havens for their money. The three most popular options seem to be the stock market, local real-estate investments and overseas investments. Capital gains from stocks will be a target of the taxation reform beginning in 1998, and many investors are seeing the local bond market as a good investment choice in the short term. Some analysts predict that around 5 trillion won will be diverted from the short-term money market into the stock market.

Financial observers and representatives of the industrial sector are concerned about a potential increase in real-estate and overseas investment, saying this could provoke a

real crisis in the country's economy. Small and medium-sized companies in particular have relied on the short-term money market as their prime source of funding, given the high collateral for loans demanded by most banks.

"The reform will prove a short-term problem," says Lee Yong-hwan, research director for the Federation of Korean Business. "Korean companies will have difficulties securing funding if the short-term money market is strained. But in the long term, they will be able to clean up their loan portfolio."

Bonds with longer maturities should become increasingly popular as investments, since bonds with more than five years' maturity are excluded from the taxation reform measure. Clear beneficiaries will be the securities market and companies offering long-term financing.

PERSONAL DIGITAL ASSISTANT FOCUS
OF LOCAL COMPANIES' R&D EFFORTS

The global Personal Digital Assistant market is set to reach 20 million units sold per year by 2000.

You can hold it in your hand. It functions as a combination cellular phone, pager, fax and electronic notebook. It's known in the industry as a Personal Digital Assistant (PDA), and the version developed by the South Korean company LG Electronics (LGE) is set to enter the domestic market in 1996 (for a unit price of 500,000 won, or \$630), with exports to Southeast Asia and Europe planned for the near future. "Global demand for PDAs will reach 20 million units in 2000," says Seo Pyong-won, vice president for technology at LGE. "PDAs will replace cellular phones and wireless pagers."

LGE's PDA follows similar products launched by Apple Computers (the Newton, which appeared on the market in 1992), Sharp, Casio and AT&T. Second-generation PDAs with wireless communications capabilities have been launched by IBM, Motorola and Sony.

But all these PDAs have been sold at high prices, and sales have not taken off as planned. LGE's version offers wireless communications but is smaller (149x64x27 millimeters),

lighter (250 grams) and cheaper than other PDAs now on the market.

The result of a 4 billion won research and development investment, LGE's new PDA integrates information processing into wireless communications. Instead of typing on a keyboard, the user presses data or words on a touch panel with the finger or with a special pen. With a pager module installed, the PDA can receive written messages; fax reception is possible using cellular connections.

"With this new PDA, we will secure more than 30 percent of the global PDA market," says Seo Pyong-won.

Local competitors are planning their own PDAs. Samsung Electronics formed a joint venture with Motorola in May 1995 to create a so-called "dragon chip" microprocessor for PDAs. "We will focus on communications technology development even if it means we have to be a little late in launching our PDA," says Hu Jung, Samsung's multimedia manager. "We will launch a PDA that fits into an inner suit pocket and weighs only 246 grams," he says.

SOUTH KOREA

INDUSTRY EXPANDS AT HOME, ABROAD

South Korean industry is facing a rising won.

The yen's recent decline against the U.S. dollar following a four-year rise has been accompanied by a steady rise in the value of the won against the dollar. This has happened in spite of South Korea's growing trade deficit with the United States, set to reach \$7 billion by the end of this year.

A weaker yen will be a boon for some South Korean manufacturers in the short term. The strong yen had been plaguing South Korean manufacturers forced to offer competitive dollar prices for their products while often paying for imported Japanese components in yen. The rising costs of products due to the high yen could not be passed on to consumers without high losses in market share. A weaker yen will thus benefit Korean importers of electronics, auto parts, capital goods and intermediate materials from Japan.

Problems resulting from the weaker yen

A weaker yen, on the other hand, means the end of the price advantage South Korean goods held over Japanese products, especially in cost-conscious emerging markets. The rising value of the won is eroding the competitive edge South Korea once held. Hardest hit by a weaker yen will be Korean exporters of cars, computer peripherals, VCRs, semiconductors, electronics goods, ships, steel and machinery, all sectors in which Korea competes with Japan. Toyota, for example, has been able to reduce the cost of its small-model cars by 5 percent because of the decline in the yen.

For Japan, a weaker yen may be a long-term benefit. Some analysts feel that it will propel Japan's growth to a respectable 2.8 percent in 1996 if the Bank of Japan maintains its current monetary policies. A weaker yen will also boost earnings for Japan's auto and consumer electronics exporters. But some Japanese observers are not optimistic. "The yen already has risen too high for us to pin any great hopes on such a modest shift in the yen value," says Masaki Murada, vice president of Fujitsu Korea.

Korean electronics manufacturers are trying to catch up with their Japanese rivals. In October 1995, Samsung Electronics Co. announced the beginning of operations in its giant electronics manufacturing complex in Winyard, Britain, which will produce microwave ovens and color monitors in its initial phase. "The complex is our European base for us to bypass trade friction," says Kim Kwang-ho, vice chairman of Samsung Electronics. "It also signals our will to become a top-class enterprise," he adds. The Winyard complex, a shot in the arm for the local economy, is soon to account for 50 percent of Samsung's total European sales. The company has promised that British employees will soon make up a larger share of senior management.

Samsung has announced that it will establish a \$1.5 billion semiconductor plant in Austin, Texas, a move seen as a response to rival Hyundai Electronics' May 1995 announcement that it will invest \$1.3 billion to build what will become the world's largest semiconductor plant, in Eugene, Oregon. In moves reflecting the saturation in the domestic market, South Korean companies are busy opening other plants abroad. Samsung plans to open a plant in Brazil to produce color televisions and VCRs. LG Electronics plans to open its own plant in Brazil by early 1997 to produce color televisions, PC monitors, VCRs and microwave ovens. Daewoo Electronics is following suit with a plant near São



High-tech equipment like this electron microscope is helping local industry compete globally.

Paulo, Brazil, to produce refrigerators, washing machines and microwave ovens.

Such massive overseas investment is a cause for concern, since some believe it could lead to a shortage in domestic manufacturing. The companies expanding abroad contend that they plan to shift the focus of domestic production to high-value-added products, manufacturing more basic goods abroad. "Our overseas investment accounts for only 10 percent of our total investment," says a Samsung spokesman. Another worry among some observers is the current trend among South Korean companies to invest in financially weak but technologically strong U.S. companies. Bringing any company back to financial health is difficult, and doing this in a foreign environment is especially risky, some feel.

South Korean companies are also strengthening their ties with local governments, which are badly in need of funding for local development projects. Hyundai is currently attempting to expand its network of production facilities. Samsung plans to set up six regional headquarters with different specialties, including multimedia projects in Seoul, production of passenger cars in Pusan and production of electronics in Kwangju. LG Electronics has given more authority to regional managers and increased its investment in local environmental technology development.

More links with China

China has emerged as the key partner for many South Korean industrial companies. Around 2,000 South Korean companies have become involved in manufacturing in China, with 130 South Korean companies operating in Beijing. "Korean firms have proved to be fast and agile in adapting to the unknown waters of China," says Shin Myeong-Chull, a commercial attaché at the Korean Embassy in China. "But some have failed due to lack of knowledge about China. You should be a careful reader of every contract detail. Finding a competent Chinese partner is the key to success."

"Entering China with only a vague idea will be deadly," says Yang Seung-yoon, chief representative for the Beijing office of the Korean Chamber of Commerce and Industry. "Things are in flux, with the legal structure in the process of change, and people still having difficulty adapting to a free-market economy." Nevertheless, more South Korean companies are investing in or trading with China. By the end of 1994, South Korean companies had invested a total of \$2.12 billion in China, with 2,332 contracts, making China South Korea's largest overseas investment partner. South Korea exported \$11.4 billion in goods to China, Taiwan and Hong Kong between January and June 1995, making these three countries South Korea's biggest export block, ahead of the United States (\$10.9 billion) and Japan (\$8 billion).

SPOTLIGHT

Strong Local Support for World Cup Bid

Why should South Korea host the 2002 World Cup? "Because we can make it the most exciting one," says Lee Chul, press manager for the Bidding Committee for the 2002 World Cup.

Asians, who make up two-thirds of the global population, are showing a growing interest in soccer. Since previous World Cup contests have been held exclusively in Europe or the Americas, many observers feel that it is Asia's turn. And the Asian country that can offer the most support for soccer seems a logical candidate.

"South Korea is a leader among Asia's developing countries, so if it wins this bid it will encourage other Asian nations to hope they will be next in line," says Mr. Lee. Another key factor is that South Korea is the only Asian country whose soccer team has qualified for the World Cup final five times.

Mr. Lee contends that Asia's best soccer team is the natural host for the World Cup event. Japan is South Korea's only serious Asian rival in the bidding, but Japan, Mr. Lee points out, has never qualified for the Cup, and no previous host has failed to qualify.

Japan key Asian rival
Bidding for the 2002 event has thus proved to be a contest between Japan's economic strengths and South Korea's soccer prowess. Supporters for Japan's bid point to the popularity of soccer in that country, but, Mr. Lee says, "For Koreans, there is more at stake than merely soccer fever. Soccer is part of the national spirit." The local soccer league is widely supported by fans and is sponsored by some of the nation's leading companies. A 1994 poll showed that 85.6 percent of South Koreans supported the World Cup bid.

Soccer was introduced to Korea around a century ago, when sailors from a British naval ship played the sport in Inchon. Soccer gradually took hold throughout the country, and matches were regularly held between teams from northern and southern Korea until the country was divided in 1945. Despite the political division, an inter-Korean team played in the World Youth Soccer Championships held in Portugal in 1991.

Offer to share bid with North Korea
The bidding committee is hoping that if South Korea wins its bid, it may be able to host the game jointly with North Korea in a gesture toward reunification. South Korea has unofficially offered to share the World Cup, but has received no response so far from North Korea. "We want to offer something concrete that will actually help the tournament prosper," says Mr. Lee. The Bidding Committee has promised to provide soccer development funds and to shoulder the expense of training players to adapt to local conditions. The government has designated 16 cities as potential sites for the eight to 12 stadiums necessary for the World Cup games. Part of the construction has already begun, in Inchon and Pusan. In October 1995, the government set up its own committee to assist in winning the bid, and members of the National Assembly have adopted a resolution in support of the bid. Local companies offering financial assistance for the cause include Hyundai, Samsung, Daewoo, LG and Sunkyong.

By 2002, the country will have a new high-speed train connection between Seoul and Pusan (to be inaugurated in 2001), a new international airport at Yongjong-do island (set to open in 1999) and increased satellite communications as a result of the launch of Koreasat in September this year. Three or four candidate cities have a shortage of hotel rooms, but "we can resolve the problem step by step before 2002," says Mr. Lee.

Another reason for the widespread support of the World Cup bid is that it makes business sense, according to a report by the government-funded Korea Development Institute: "The country should invest about 1 trillion won to host the World Cup. The event will generate 1 trillion won in investments and 5 trillion won in additional developments, and will employ 223,000 workers. The World Cup will also help the country boost regional development."

Show of support from the top
A well attended September 30 match held in South Korea in which the top Argentine player Diego Maradona played in his first game following a suspension for drug use was evidence for the local fans' support of the game. Even President Kim Young Sam came to meet and shake hands with the famous player.

NEW MODELS POPULAR ABROAD

Continued from page 12

For Kia, it makes more business sense to export components to help them build their models based on Kia's licensed technology.

Samsung enters the fray
Samsung's entry into the South Korean car industry is expected to reshape the auto industry landscape. "We will become the world's top 10 auto maker by 2010," said Samsung CEO Lee

Gun-hee at a June 1995 groundbreaking ceremony for the company's new plant in Pusan that is to produce 250,000 cars in 1998 and 500,000 cars in 2000.

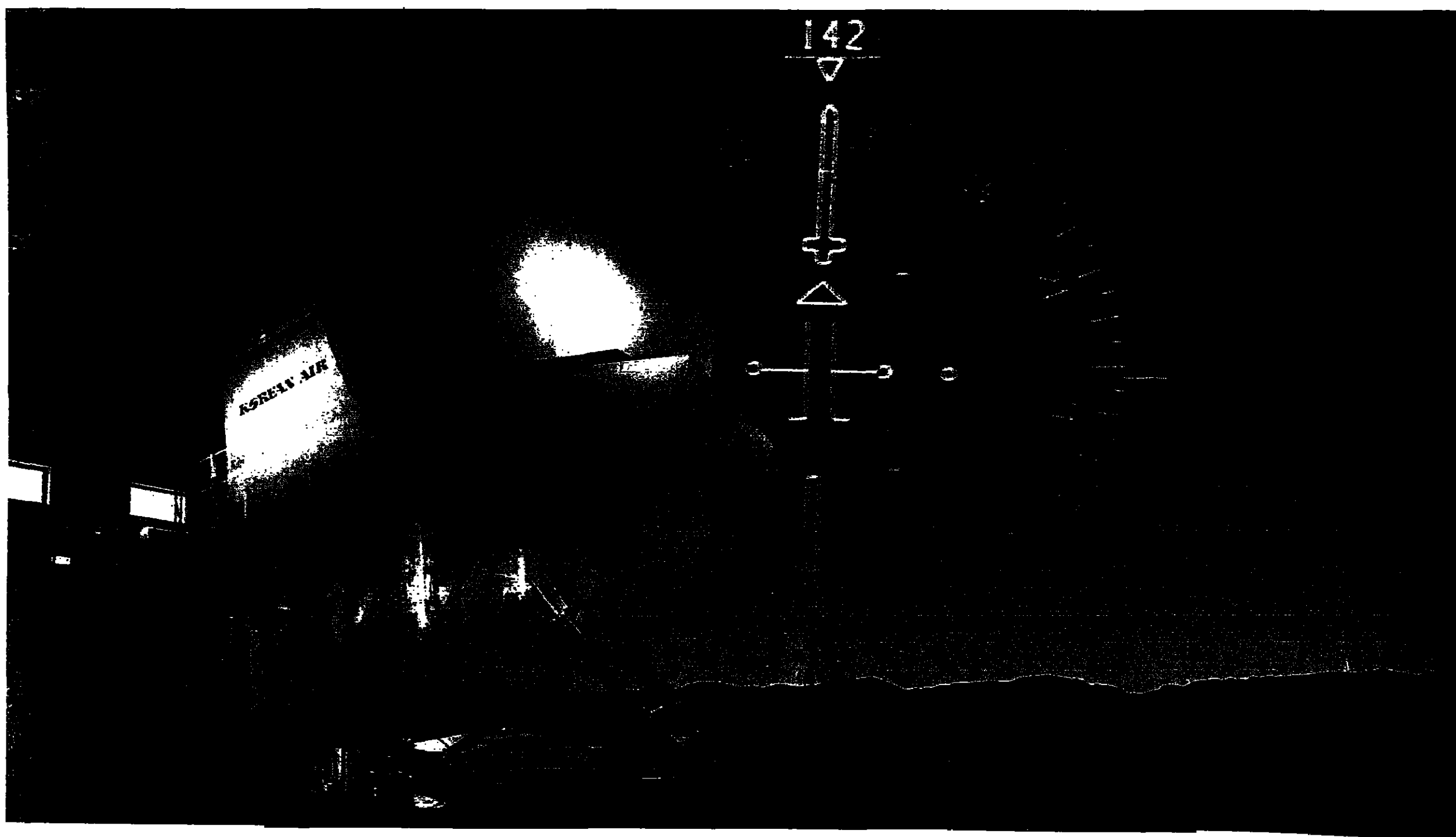
More worrying for local automakers than the entry of Samsung was the decision this year to reduce import taxes on imported large cars beginning on Jan. 1, 1996. "We are pleased with the result of the trade talks," says Andrew Card, chairman of the American Automobile

Manufacturers Association. "The real winners will be Korean consumers, as they will be given more choice," he adds. According to the Korea Development Institute report, South Korea's imports of foreign passenger cars will increase to 31,000 in 1998 and 82,000 in 2001.

Upbeat attitude
But these problems have not changed the generally upbeat attitude about the local

auto industry. Share prices for Hyundai, Daewoo and Kia have remained high, for example.

"Yes, Korea is about to see a reduction in the number of cars sold, as the domestic market is now entering a maturity stage like Japan's in 1971," says one researcher at Hyundai Securities. "But, even if they sell less, they will have fatter margins as they will sell more lucrative, bigger passenger cars."



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S O U T H K O R E A

SPOTLIGHT

Company Moves Into the Movie Business

Cheil Foods and Chemicals has invested in the new DreamWorks project.

On May 28, 1995, Cheil Foods and Chemicals Inc. announced its \$300 million investment in DreamWorks, the \$2 billion Hollywood film enterprise launched by media superstars Steven Spielberg, Jeffrey Katzenberg and David Geffen.

Cheil managers announced that "the deal is to prepare our way to become a leader in the world's movie and entertainment industry."

Some shareholders have welcomed the move as a strategically well-timed expansion into a promising field, while others have expressed fears that the investment is too risky. In any case, Cheil's move is being closely observed by other South Korean companies hoping to enter the entertainment industry.

Aggressive expansion strategy

Cheil Foods and Chemicals, begun as a sugar company in 1953, was the growth engine of the Samsung Group in the 1980s, but spun off from Samsung in 1993 and has developed a more aggressive strategy concerning new kinds of business endeavors.

Although some high-profile Asian investments in Hollywood have proved problematic (Matsushita is currently trying to shed MCA, which it purchased for \$6.1 billion in 1990, and Sony's difficulties with its Columbia Pictures investment have been well publicized), the Cheil investment is different, according to many observers.

"The Japanese firms were jumping into what was an already established corporate culture of MCA, causing some Americans to feel that the companies were taking over 'the soul of America.' But Cheil was attracted by the fact that DreamWorks was a new business," says Kang Hun-sok of Baring Securities in Seoul.

Cheil has good reason to be positive. Already involved in South Korea's film industry, Cheil will be able to access DreamWorks' rich array of new technologies and top Hollywood talent. The South Korean film industry, with an estimated value of 3.2 trillion won (\$4.2 billion) in 1995, is projected to grow to 5 trillion won by 2000.

Growing film industry

Industries related to the film industry are also expected to grow. The country's launch of 23-channel cable television in March 1995 and the Koreasat satellite launched in March this year have created a pressing need for new film products to satisfy rising demand, particularly for film-related software. At the moment, 85 percent of the country's films, video games and TV programs are produced by U.S. enterprises.

The DreamWorks deal will also give Cheil a way to enter Asia's fast-growing entertainment industry. Cheil will have the exclusive right to license in Asia DreamWorks' planned production of 69 films, six animated features and 59 television programs between now and 2004. ■

AVIATION INDUSTRY
TURNAROUND
NOW IN PROGRESS

Joint efforts with China are seen as a key to success.

The reduction in defense spending caused by the end of the Cold War was only the beginning of recent problems besetting the global aeronautics industry.

The downturn in airliner purchases due to overcapacity and airlines' financial setbacks due to increased competition have aggravated the problems.

South Korea's aeronautics industry is no exception. While the country's electronics, automobile, steel and shipbuilding companies are now counted among the world's most powerful in these sectors, its aeronautics industry remains a distant 25th in the world.

South Korean aeronautics companies have achieved some success through licensed production of F-5, 500MD, UF-60 and F-16 aircraft, but still lack the experience and technology to operate without foreign support.

Industry sources say that the relatively weak state of the South Korean aeronautics industry has been the result of its dependency on the government's procurement program and on subcontracted manufacturing.

Top 10 the goal

Now both industry and government have determined to boost the growth of the local aeronautics industry to place South Korea among the top 10 in the world in this field by 2000. In achieving this goal, South Korean companies are to be part of a global consortium to produce new, large-scale aircraft by the turn of the century.

South Korea teamed up with China in 1994 for the joint development and pro-

duction of 100-seat aircraft by the Korean Commercial Aircraft Development Consortium (KCDC). Samsung Aerospace was designated by the government as the leader of the consortium. Thirteen other companies, including Daewoo Heavy Industry and Korean Air, joined the KCDC.

The Korea-China team's strategy is to pool their marketing, technology and financing capabilities, blending South Korea's financial and commercial capabilities with China's aircraft development experience and market potential.

Sales outlets sought

"This is not merely a matter of technology and manufacturing," says Shim Yi-taek, executive vice president of Korean Air. "We need a third partner who will help us find sales outlets."

The consortium is now accepting bids from Western companies seeking to become this third partner. The bidders are Boeing and a European consortium made up of Aerospaciale, Alenia and British Aerospace; McDonnell Douglas may also make a bid. For Western companies, the project represents access to the huge growth market of China and Asia.

To finance the project, \$300 million is to be provided by the South Korean government, with an additional \$300 million to be contributed by 14 South Korean member companies.

Boeing is now seen as the probable winner of the bid, given the more favorable terms it is offering: Free technology transfer and 20 percent equity involvement in the program. The Korea-



South Korea's aerospace industry, supported by high-tech research labs like Samsung's (above), is aiming to become one of the world's top-ten players by the turn of the century; South Korea's entry into a consortium to produce large-scale aircraft should help pave the way.

China team is expected to select the successful bidder before the end of this year. The Korea-China team is also considering selecting a fourth partner, which would be an Asian company. "We have in mind Malaysia, Pakistan and India as candidates," says Lee Dae-won, president of Samsung Aerospace and also chairman of the Korean Aerospace Industries Association (KAIA). "We are contacting these countries through unofficial channels. These countries have a big potential for aviation-industry development," he says. (The

KAIA consists of 47 Korean aviation-related companies and functions as a link between the government and the country's aeronautics industry. The KAIA will host the Seoul International Air Show in 1996.)

Initial delivery in 2000

The initial delivery of the consortium's 100-seat aircraft can be made as early as the latter part of 2000. According to feasibility studies, around 400 of the aircraft will be sold by 2012 for a unit price of around \$25 million. "We expect that the break-even point is around

300 to 400 units," says Yeo Young-rock, executive director of Samsung Aerospace.

According to a report by the government-funded Korea Development Institute, South Korea is expected to invest 4.5 trillion won in aeronautics-related research and development programs between now and 2005: 2.5 trillion won for the aircraft sector and 2.08 trillion won for the aerospace sector.

An estimated 72.4 percent of the total investment will be borne by the government. "This financial support from the government will not be

sufficient if we are to continue research and development projects after 2005," says Lee Byong-june, head of the machinery division of KDI. "If we are to foster aviation industry growth, we must have a more extensive R&D budget for the next 20-30 years," he says.

One key issue concerning the Korea-China project is where to locate the final assembly plant.

"Installing the final assembly line in Korea is not a matter of negotiation. It is the precondition to the project," says Lee Dae-won, chairman of KAIA. ■

GLOBALIZATION DRIVE CONTINUES

Continued from page 12

led people to flock to trendy new Western restaurants in Seoul, such as Planet Hollywood and TGIF, and to favor Western products in general. Unlike their parents' generation, young South Koreans have not been taught that it is unpatriotic to purchase imported goods.

This new taste for the West has proved a stimulus to foreign investors, who are increasingly establishing Western-style services, ranging from beauty parlors to language institutes, in Seoul and elsewhere in the country. This foreign

presence will no doubt increase when the country fully liberalizes its distribution regulations in 1996.

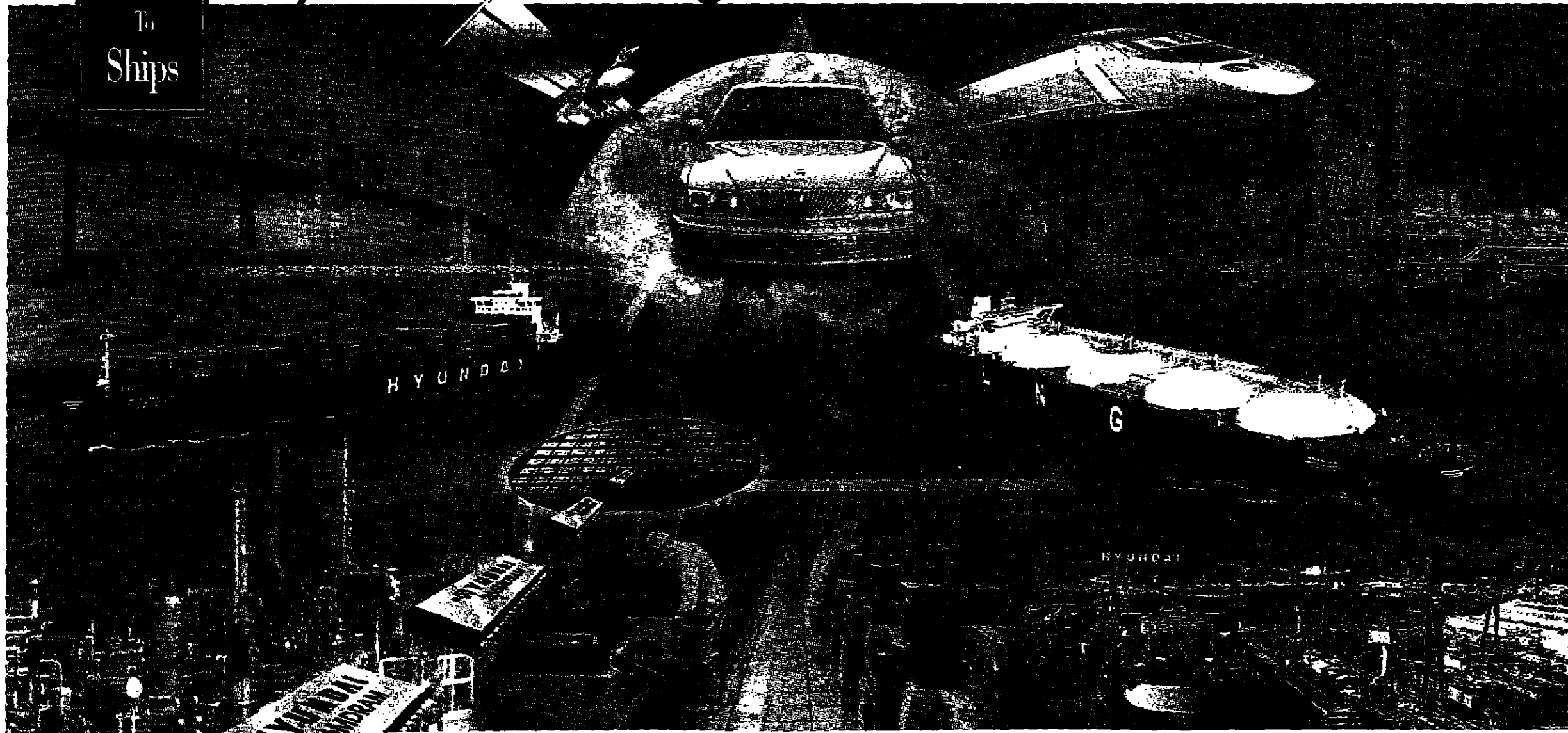
This rise in imports of all kinds has led South Korean companies to expand their overseas operations. In the very recent past, local companies tended to establish operations abroad chiefly to take advantage of lower labor costs.

Today, local companies are aiming toward increased globalization of their distribution networks as well as their research and development, marketing and manufacturing activities.

Segeyehwa seems to be working. ■

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SPONSORED SECTION

SOUTH KOREA

SPOTLIGHT

Investment Path Made Smoother

Total foreign investment rose by 26.1 percent in the first nine months of 1995 as a result of new initiatives.

"That was the most frustrating experience of my life," recalled a U.S. executive whose company attempted to open a plant in Seoul in 1992. After three years of fruitless struggles with red tape, the company decided to settle for being a trading partner with South Korea rather than a manufacturer within the country.

Happily for would-be investors, that situation has changed, but only very recently. In 1994, 47 foreign companies that had invested a total of \$159 million in setting up operations in South Korea finally decided to move their manufacturing centers to other Asian bases. The primary reasons given for the shift, according to South Korea's Ministry of Trade, Industry and Energy, were wage hikes and disagreements with South Korean joint-venture partners.

South Korea ranked ninth in 1994. According to the Australia-based Asia-Pacific Economic Group, in 1994 South Korea ranked ninth among 11 Asian countries in luring foreign investment. Of a total of \$57 billion invested in the 11 countries in 1994, China received \$3.38 billion, while Korea received only \$1.3 billion.

South Korea's government has decided to change the situation. New measures designed to lure foreign investment include cutting red tape and offering more sites for factories. A foreign investor in the past had to wait two to three years after filing an application to set up a factory in South Korea before the government gave its approval; in 1995, the waiting period is 15 to 45 days.

Foreign investment in manufacturing grew by 134% in early 1995

Finding a suitable factory site was once an ordeal for a foreign company; today, the government has established special Foreign Investment Zones offering factory services, streamlined paperwork, and reduced land prices. In the Foreign Investment Zone in Kwangju, for example, foreign investors are offered free use of the site for five years, with a reduced rental rate after that.

Measures working

The measures seem to be working. Foreign investment rose by 26.1 percent, for a total of \$1.39 billion, from January to September this year, compared with the same period last year. The manufacturing sector showed a 134 percent increase, to \$660 million. U.S. investors accounted for 37 percent of total foreign investment.

Foreign investors are attracted by the lucrative, expanding South Korean markets for high-tech items such as cellular phones and satellite communications. Local companies seek foreign joint-venture partners to benefit from their technological expertise.

Some stumbling blocks remain, particularly the current restriction of foreign ownership of telecom companies to between 10 and 30 percent. The government has suggested, however, that it may increase the foreign ownership ceiling in telecom companies to 50 percent in 1997.

The state-owned Korea Telecom is now in the process of partial privatization, with 34 percent of shares in the organization to be sold by the end of 1995 and an additional 15 percent to be sold in 1996. The government is considering allowing foreigners to buy up to 10 percent equity in the company.

The nuclear energy sector, a fast-growing industry throughout Asia, is in principle closed to foreign investors in South Korea, but foreigners may form joint ventures with South Korean nuclear power companies if their operations are in a third country.

Foreigners are now allowed to participate in the bidding for infrastructure projects in the country. In April this year, the government announced that foreigners could bid for projects involving the new international airport on Yeongju Island. These projects, for several of which foreign investors won their bids, include baggage handling systems, construction of the passenger terminal, communications systems and security systems.

ELECTRONICS: INVESTING ABROAD IN CORE TECHNOLOGY

Local companies seek out technically advanced but financially troubled enterprises.

On July 18, 1995, LG Electronics Inc. (LGE) announced its plan to acquire a 57 percent interest in Zenith, the second-largest U.S. home appliance manufacturer, for \$350 million. LGE's chief goal in the deal is to gain access to Zenith's core technologies in high-definition and cable television. Lee Hun-jo, chairman of LGE, shrugged off the huge losses (\$14 million) that Zenith recorded in 1994, asserting that Zenith will be profitable by 1997.

Acquiring a financially weak but technologically powerful foreign company, particularly a U.S. one, is increasingly seen as a smart business move for a South Korean company looking to establish a presence in the fast-growing global media market. In addition to saving the costs of developing its own technology from scratch, acquiring a foreign manufacturer is also an effective way to avoid trade barriers and secure a niche in the foreign company's local market.

The LGE acquisition is only the latest in a series of takeovers by South Korean electronics companies. In February 1994, Hyundai Electronics Industries (HEI) acquired the non-memory chip sector of AT&T-GIS at a price of \$340 million. In February 1995, Samsung Electronics Co. (SEC) announced that it would invest \$378 million to buy a 40.25 percent share of AST Research, a U.S. personal computer maker with the world's sixth-highest PC sales in 1994.

Access to foreign markets In their shift from the domestic market to increased focus on foreign markets, South Korea's electronics companies are also focusing more on the production of high-tech media and telecom

equipment rather than on the domestic appliances that have made up the bulk of their sales in the past.

LGE recently unveiled its plan to reduce its focus on home electronics from the current 32 percent of total sales to 19 percent by 2000, while increasing its sales of multimedia, information technology and telecom equipment to 68 percent in the same period. LGE plans to produce personal digital assistants, digital video disk players, CD-ROM drives, trunked radio service and cable television equipment.

HEI recently announced a plan to invest 20 trillion won (\$25 billion) between now and 2000 to expand its activities in the fields of multimedia, information, telecom and aerospace technologies.

Globalization

Whereas they once limited their international activity to establishing foreign production sites, major South Korean electronics companies are now seeking to make their research and development and marketing networks truly international.

South Korean electronics companies are also in the process of localizing their overseas operations not only by employing more local workers but also by hiring top local management. Foreign executives are working both in their own markets and with the staff at the companies' Seoul headquarters.

Since 1983, Hyundai Electronics America (HEA) in San Jose, California has expanded its operations to cover the whole range of R&D, marketing, sales of memory chips and assembly of semiconductors and computers. "We had to undergo a painful process to operate a local company here," admits one HEA official, but the compa-

ny seems to have established a presence as a "local" operation.

Another reason for the recent overseas investment by South Korean companies has been a decline in foreign investment by Japanese companies. According to Japanese economic sources, Japanese companies' overseas investment has dropped to \$2 billion a year after reaching a peak of \$3 billion in 1992. From January to August 1995, the total value of South Korean companies' investments in the United States alone totaled \$1.1 billion.

Coping with foreign culture Overseas investments have their problems, however. According to Choi Yong-gyu of the Daewoo Research Institute, the acquisition of a foreign company can only backfire if South Korean managers "force foreign managers to employ a Korean management style. South Korean companies should instead try to maintain the current image of a U.S. firm, because what Korean firms want most from a U.S. deal is technology and a local market base. They should not jeopardize what they want most by forcing their Korean management style onto the Americans."

Curbing buying spree

South Korea's government has made some attempts to curb this overseas buying spree. South Korean companies are now required to source at least 20 percent of their overseas investment funds from their own coffers and loans from domestic banks.

SEC recently announced its compliance with this regulation by sourcing 30 percent of the \$1.3 billion it has budgeted to establishing semiconductor company in Texas



Research and development professionals like this Daewoo Electronics team are a key element in the success of the country's electronics industry.

from its own funds and domestic financial sources.

In spite of this restriction, South Korean companies are continuing to make massive investments in foreign companies. On Oct. 27, 1995, the LGE group unveiled its ambition to become one of the top five home electronics manufacturers of Latin America, aiming for \$600 million in annual sales in Latin American markets. The group plans to invest \$50 million to set up a complex in Mexico to produce four home electronics products (color TVs, video cassette players, electric ranges and computer monitors), according to Chang Bong-ho, head of LGE's Latin American division.

Daewoo Electronics has announced that it will invest 40 billion won by the end of

next year to triple its foreign production of washing machines, from current 500,000 units a year to 1.5 million units. To this end, the company will establish eight new plants abroad (in Mexico, Chile, Brazil, Indonesia, Europe and South Africa). "We will then take 5 percent of the world's washing machine market share by the time these plants are fully operational," says one spokesman.

Headline technology

South Korean electronics companies have recently achieved a number of headline-grabbing technology breakthroughs. HEI has developed its own 256-mega synchronous dynamic random access memory (SDRAM) technology. The 256-mega S-DRAM

chip has a memory capacity equivalent to 2,000 standard English newspaper pages, according to Hwang In-seok, head of HEI's semiconductor research center. These chips will operate at more than two times the speed of ordinary DRAM chips. The company will be able to unveil commercial samples by the end of next year, Mr. Hwang says. LGE unveiled in July 1995 its plan to invest 170 billion won in developing and producing 2 million optical pickups next year. An optical pickup is a device that reads and records information on an optical disc using laser technology, and it is a core component in producing the next generation of multimedia products such as digital video disks and magnetic optical disks.

REVERSING THE BRAIN DRAIN: KOREAN TALENT COMES HOME

Exciting opportunities compensate for lower-than-U.S. salaries among returning Korean-Americans.

"I wanted to come back to my homeland to work," says Kim Tae-yon, age 26. She emigrated to the United States with her parents when she was 12, and eventually studied at New York University.

After working for two years at a New York advertising agency, Kim Tae-yon was hired by Cheil Communications Inc., South Korea's largest advertising agency, the in-house agency for the Samsung group, which was recruiting Korean-Americans. She became one of six new recruits to work at Cheil's Seoul headquarters.

"At first, every day was a challenge for me," Miss Kim says. Her awkward accent when she spoke Korean raised doubts about her abilities. She also had trouble adapting to social norms and often felt she was neither Korean nor Ameri-

can. Today, that trial stage is part of the past, and she is successfully working with Cheil's overseas division on ads for Samsung semiconductors in Southeast Asia.

"After a one-year trial period, I now feel I am part of the organization," she says, and she now speaks near-perfect Korean.

Cheil and other South Korean companies need more people like Miss Kim. Cheil's major customers have recently begun a full-scale marketing drive for their overseas operations, leading to a much bigger overseas advertising business for Cheil.

"It has become our top priority to scout out a local expert who can understand the local culture and local consumers," says Jung Yeon Seung, assistant director of Cheil's overseas

operations. "It would be too costly and too much of a burden for our corporate structure if we employed Europeans or Americans for these positions, although we will eventually do so. But at this transitional stage, what we need most is Koreans with international backgrounds. They are both willing to adapt to Korean culture and have an intimate knowledge about targeted local markets."

Opportunities for bilingual workers

One young bilingual analyst for a securities company in Seoul came back to South Korea after having lived in the United States from the age of seven and earning a degree from the University of California at Berkeley.

"What attracts [returning Koreans] most is the huge market potential," he says. "It's exciting to experience such fast globalization. Many more Korean-Americans holding advanced degrees want to come back home, but opportunity is still limited. Some people here think that we are taking their jobs away."

Pay is not on a par with what some returning Koreans would receive in other countries. "In the United States, they would pay twice as much as I receive here," says one young broker working for Daewoo Securities, "but it's more exciting to work here. Here I can be a head-starter in what I am doing. The market has just opened and is on the fast track to growth."

The Daewoo Group has hired 10 Korean-Americans this year to work in the company's Seoul headquarters and is planning to hire more. "Most of them have American nationality, which causes us a lot of paperwork," says Chung Hee-jae, head of Daewoo's Management Development Center in Seoul, adding, "Nevertheless we want to hire more, because we need them in expanding our overseas operation."

Hiring Koreans who have spent much of their lives abroad represents a new strategy for South Korean companies, who in the past invested in sending local employees abroad to be educated. "What we need most now are Chinese-Koreans who are good at basic science and engineering. Such people have proved a valuable asset to our R&D operations in China," Mr. Chung says.

"We used to recruit people here and send them to our overseas operations," says one executive with the Hyundai Group, "but now we usually let the local operation have the responsibility for recruiting local staff, because they know best what they need."

Residents of Korea with advanced degrees from Western universities are also being sought. Major corporations such as Samsung, LG Electronics, Daewoo, Sunkyong and Ssangyong are scouting for such executives through job fairs, seminars, and the Internet.

Around 6,000 expatriate Koreans return per year

An estimated 5 million ethnic Koreans live abroad. Around 800,000 of them - fleeing poverty, political unrest and political persecution - emigrated between 1965 and 1995, with around 630,000 settling in the United States.

South Korea's expanding economy has been the magnet drawing many expatriates back. The number of Korean emigrants returning to South Korea has grown to between 5,000 and 6,500 per year for the past four years from only 800 in 1980.

Many of the returnees follow new career paths when they return home. A former real estate broker now runs a trendy American-style restaurant in Seoul. A sociology graduate from Ohio University became a public relations manager at a luxurious Seoul hotel. One Korean enrolled in Harvard Law School says, "A Harvard diploma is valued more in Korea than in the United States, and I intend to return to Korea right after graduation."

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S O U T H K O R E A

ECONOMIC GROWTH
SPELLS GOOD TIMES
FOR TOURISM

Both business and leisure travel are showing growth.

When Peter Walshaw came to Seoul in 1992 to be the new general manager of the then-Hyatt Regency Hotel, he was worried. The uncertain South Korean economy, a decline in inbound tourism and a general lack of government support for the local hotel business were unpromising signs.

Now, three years later, the picture is much brighter. The local hotel occupancy rate has grown, and the Hyatt Regency, now the Grand Hyatt, an example of the current prosperity of the local hotel industry, is benefiting from an extensive renovation project launched in 1993 and from its move toward more sophisticated marketing and communications efforts.

"It has been exciting for me to watch our business grow," says Mr. Walshaw.

Another success story Seoul's Hotel Inter-Continental is another success story. "We have a strong business indeed," says Chun Hee-kyong, a hotel spokesperson.

The Inter-Continental is well located within a business district offering many business and leisure services, including good transportation to the airport and downtown Seoul.

Spacious guest rooms, stable room rates and a high staff-to-guest ratio have helped the hotel attract the European travelers that make up 80 percent of its clientele.

The Ritz-Carlton, the first luxury hotel to be built in Seoul since the 1988 Olympics, is also reporting nearly full occupancy this year as more and more business travelers flock to South

Korea. The tourism industry, like South Korean business in general, is benefiting from the country's current economic growth. Whereas in the past many business travelers bypassed South Korea for Asia's top business destinations (Japan, Hong Kong and China) and for other Asian countries offering cheaper labor, today South Korea's industries are proving increasingly attractive to foreign investors.

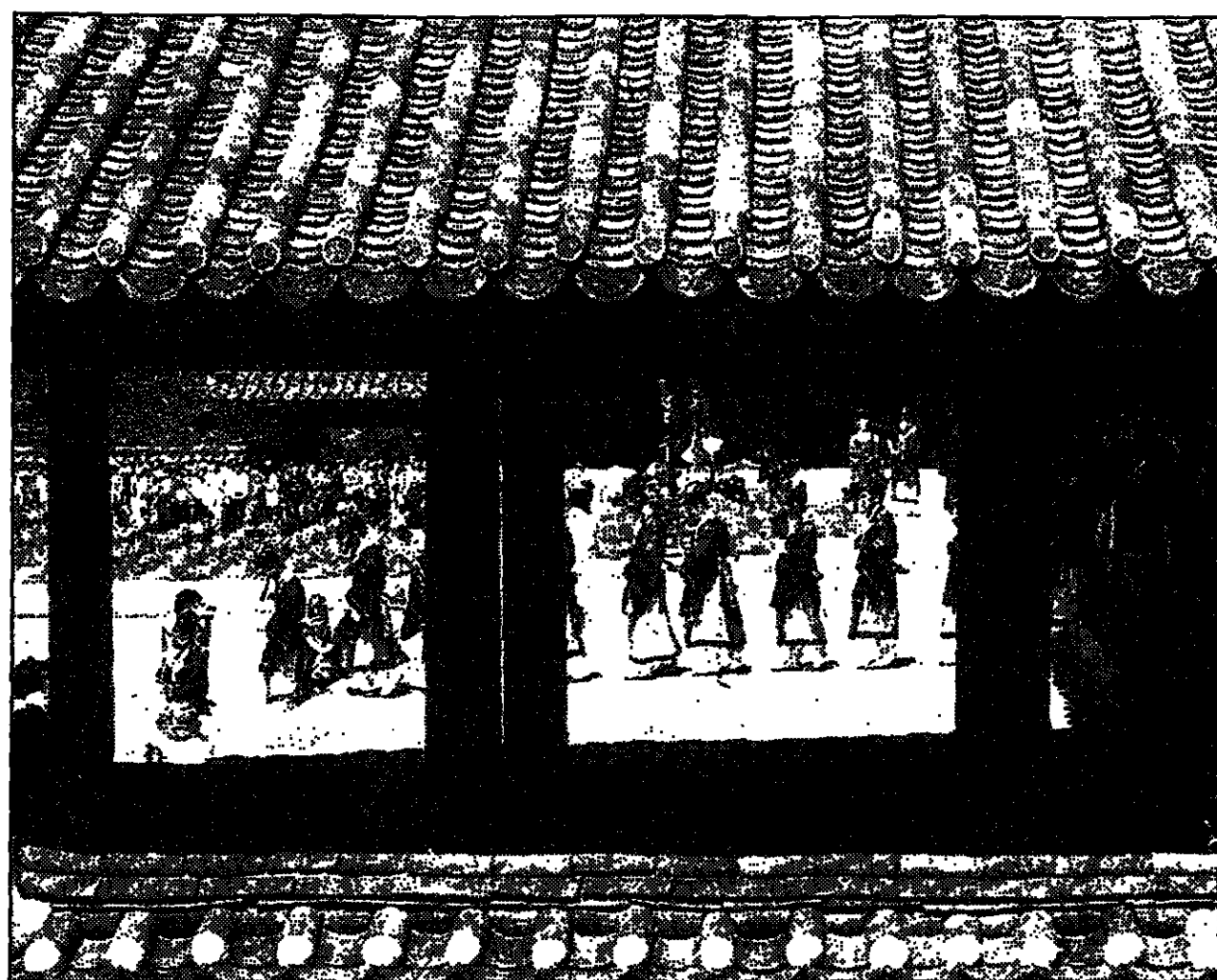
Another boost

Another boost to tourism growth has been the high yen, which has attracted Japanese tourists in particular to South Korea's many attractions; Japanese travelers now make up 47 percent of foreign arrivals. The ancient cities of Kyongju, Fuyo and Kongju are very popular among European and American visitors, and new sports and cultural events have been organized to attract more Western visitors.

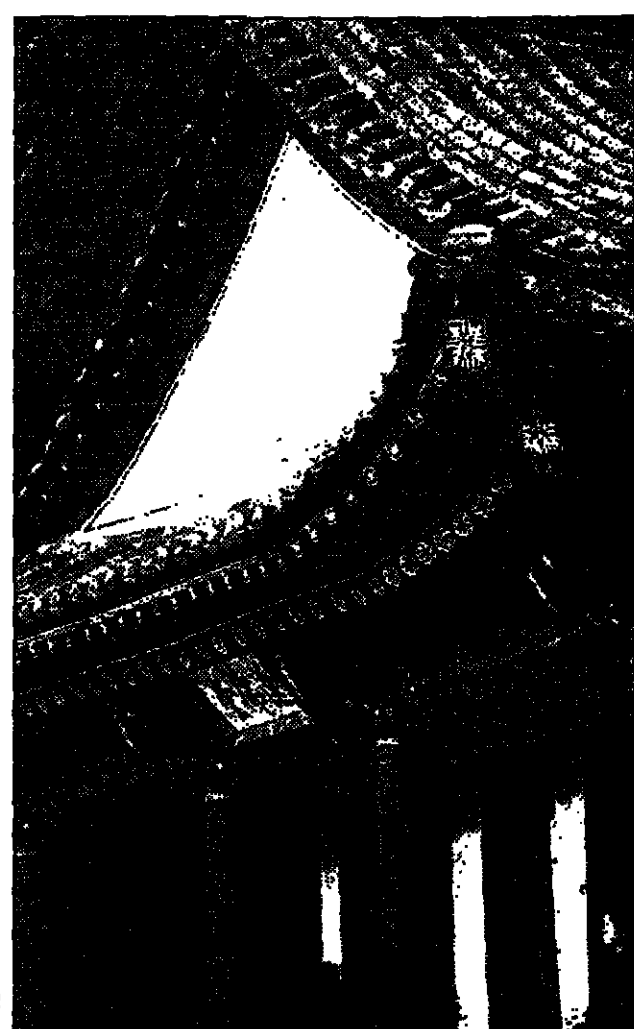
Festivals bring in tourists Various festivals have been organized to attract tourists, including a snow festival at the Yongpyong ski resort that attracted 1,000 foreigners among its other visitors this year. The Cheju International Triathlon in July attracted 212 athletes from 14 countries this year.

The International Taekwondo Hanmadang contest in August drew almost 1,500 competitors from 14 countries, and the Mt. Sorak International Marathon brought 604 participants from 15 countries.

South Korea's ski resorts have proved popular among Japanese and Southeast Asian visitors. Regional folk



A formal ceremony in the Chongmyo Taejo Royal Shrine (left) and the elaborate roofs of historic Pongnusan Temple: South Korea's rich culture is waiting to be discovered.



festivals and citizens' cultural events are also popular; among them is the Cherry Blossom Festival in Chinhae in April.

The Korea National Tourism Corporation (KNTC) hopes that attractions like these will draw 4 million visitors in 1996, to make the country the world's 23rd largest inbound market.

Target: 3.9 million visitors Seoul has set a target of 3.9 million visitors this year, and tourism officials are confident they will meet this goal.

The total number of foreign visitors to South Korea has already increased by 6.2 percent this year, from 2.6 million visitors in the Janu-

ary-September 1994 period to 2.8 million in the same period of 1995. In spite of these positive signs, however, the country failed to reach its goal of 4 million visitors in 1994, the official Visit Korea year, chalking up a total of 3.58 million visitors.

Last year's modest growth in inbound tourism came at a time when outbound tourism reported a sharp rise of 20.2 percent between January and September of 1994, compared with the same period in 1993.

Stumbling block

One stumbling block in the rise of inbound tourism is a lack of hotel rooms, a result of the previous government's policy of preventing

new hotel construction and of preventing in particular any new entries to the South Korean hotel scene by the top 30 global hotel corporations.

"The former government set 1994 as Visit Korea year, but still kept its grip on the hotel business with a string of regulations and heavy taxes," says Chang Chul-hi, the chairman of the Korean Tourism Association (KTA). Next year, Seoul will give it another try.

Convention facilities

The biggest barrier to growth in the tourism industry has been South Korea's failure to invest significantly in tourism infrastructure, with both the government and local industry placing a

higher priority on exports and manufacturing than on increasing tourism. A primary example is the need for more convention facilities.

In 1994, South Korea hosted 306 international conventions attended by a total of over 200,000 foreign visitors. Tourist officials believe they could attract many more conventions to the country if more facilities were available.

And many officials feel that South Korea may soon be overwhelmed by its neighbors China, Japan and Southeast Asia in the competition for convention business.

"We will be cut out of this growing [convention] market if we do not get enough convention facilities. The

government must do something about this. We cannot wait much longer," says Chang Chul-hi.

The KNTC has added expanding international convention facilities to its roster of goals for expanding the local tourism industry; other top-priority goals include developing tourism infrastructure, taking a greater share of the Japanese market, moving into new markets, and boosting efforts to train tourism workers.

New resorts

The government has already earmarked 583 billion won to be spent between 1978 and 2001 in developing the Choongmun complex on Cheju Island into an international resort catering to com-

mercial interests as well as to business and leisure tourists. Mt. Sorak and Chungmu on the southern coast near Pusan are other targets of tourism development funding.

Local initiatives

Local governments, now with more autonomy, are proving to be good promoters of attractions beyond the capital.

"They are the insiders and will be the best promoters" of local attractions, says KTA's Chang Chul-hi. "We may well be decentralizing our operations so that each branch office can be given full autonomy concerning [tourism developments] for specific cities and provinces." ■



Family relationships are very special; unique bonds between people. Something that we at LG are dedicated to emulating through our relationship with our customers. LG is the new name for the Lucky-Goldstar Group. A new name, but the same emphasis on what we do best - utilizing the most advanced technology to create products that enrich your life, making it healthier, safer, more comfort-

able and more satisfying. Our philosophy remains to provide complete satisfaction to our vast family of customers in over 120 countries around the world, through technologically advanced products of the very highest quality. Satisfaction has a new face. And LG is ensuring it wears a smile.



Chemicals & Energy • Electronics & Semiconductors • Machinery & Metals • Trade & Services • Finance

CAPITAL MARKETS ON MONDAY

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Nov. 17. Prices supplied by Telekurs.

Rnk	Name	Cpn	Maturity	Price	Yield
133	Ontario	5	11/09/98	101.3829	5.4700
221	Australia	7 1/2	07/10/95	92.2450	6.1300

Rnk	Name	Cpn	Maturity	Price	Yield
201	Cardbury Schw	8	12/29/00	101.0000	7.9900

Rnk	Name	Cpn	Maturity	Price	Yield
234	Canada	8 1/4	12/01/05	107.9500	8.1100

Rnk	Name	Cpn	Maturity	Price	Yield
5	Denmark	8	03/15/06	102.1200	7.8300
6	Denmark	9	11/15/00	100.4900	8.2200
7	Denmark	7 1/2	12/15/04	96.2500	7.2700
8	Denmark	8	12/15/01	105.0700	7.4100
9	Denmark	8	11/15/96	107.4300	6.3400
10	Denmark	8	08/15/97	102.4000	7.2200
11	Denmark	8	08/15/97	102.4000	7.2200
12	Denmark	8	12/15/97	99.2000	6.0300
13	Denmark	8	11/10/24	85.9800	8.1400
14	Denmark	8	04/01/96	98.2700	4.8900
15	Denmark	8	02/28/97	102.4000	7.2200
16	Denmark	8	11/15/96	103.4000	6.1900
17	Denmark	8	02/15/97	100.9000	6.1900
18	Denmark	8	01/01/96	96.8800	7.2200
19	Denmark	8	01/01/96	96.8800	7.2200
20	Denmark	8	01/01/96	96.8800	7.2200
21	Denmark	8	01/01/96	96.8800	7.2200
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80	Denmark	8	01/01/96	96.8800	7.2200
81	Denmark	8	01/01/96	96.8800	7.2200

Rnk	Name	Cpn	Maturity	Price	Yield
101	Denmark	8	03/15/06	102.1200	7.8300
102	Denmark	9	11/15/00	100.4900	8.2200
103	Denmark	7 1/2	12/15/04	96.2500	7.2700
104	Denmark	8	12/15/01	105.0700	7.4100
105	Denmark	8	11/15/96	107.4300	6.3400
106	Denmark	8	08/15/97	102.4000	7.2200
107	Denmark	8	08/15/97	102.4000	7.2200
108	Denmark	8	12/15/97	99.2000	6.0300
109	Denmark	8	11/10/24	85.9800	8.1400
110	Denmark	8	04/01/96	98.2700	4.8900
111	Denmark	8	02/28/97	102.4000	7.2200
112	Denmark	8	11/15/96	103.4000	6.1900
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200	Denmark	8	01/01/96	96.8800	7.2200

115	Denmark	9	11/15/96	103.4000	8.7000	210	Germany	5 1/2	02/28/97	102.2000	5.3300	166	Spain	10	02/28/05	96.5800	10.3400
117	Denmark	6 1/2	02/10/97	106.9000	6.1900	210	Germany	6 1/4	01/28/99	106.9900	6.5700						
172	Denmark/Tbills	zero	01/07/96	96.8899	24.3100	217	Germany FRN	zero	03/05/04	96.5600							
180	Denmark/Tbills	zero	01/02/96	99.8435	1.2000	223	U.S. Govt. Sec. 20	zero	02/15/94	102.9900	4.0100						
202	Denmark	6	02/10/06	100.0500	6.0000	230	Bundespap. 7 1/2	7 1/2	10/01/04	108.7100	7.6100						
232	Denmark	5 1/4	08/10/96	99.9700	5.2500	233	KFW Int'l Fin.	6 1/4	06/20/05	101.6525	5.6200						
						236	APR Int'l Fin.	10 1/4	11/14/02	99.8800	10.5200						

Swedish Krona																	
122	Sweden	6	02/09/05	80.3900	7.4600												

CYBERSCAPE

New Computer Medicine Fights On-Line Viruses

By James Kyngne
Reuters

TAIPEI — Rather than a conventional office, the place where Steve Chang works looks like a clinic for the casualties of cyberspace. Stacked in his shelves with names such as PC-cillin and Virus Buster are the high-tech antidotes to computer viruses stalking the information superhighway.

On his wall hangs a large calendar detailing the days on which all viruses known to cyber-science are most likely to strike. "They are purely malicious," Mr. Chang said of the computer viruses his company fights for a livelihood.

Mr. Chang is the managing director of Trend Micro Devices, a Taiwan company that is reaping spectacular revenues from designing and selling software to destroy viruses or stop them from infecting computer programs.

Revenue has increased at a rate of almost 80 percent annually over the past few years, with 1994 sales at \$15 million and 1995 sales expected to hit \$24 million, he said.

Viruses are written by sophisticated computer users and usually timed to strike on a certain day of the year, scrambling data stored on disks or rendering software inoperable.

They are well-known for their capability to rampage through a corporation's entire computer network, but a fresh danger is posed by a proliferating number of viruses on the Internet, the worldwide on-line computer network.

"Now there are three or four new viruses in the world every day," Mr. Chang said. "It is a problem updating the list."

With quirky monikers like "MS_WORM_AZAO," "Win Word Concept" and "Frank Mac," several among the Internet viruses attach themselves to the electronic mail.

Trend Micro Devices has moved quickly to exploit what is potentially an enormous Internet anti-virus market.

One of its latest products, PC-cillin '95, is a software package designed to protect users of Microsoft's Windows 95 from becoming infected from the Internet.

Launched in the United States last week and due for release Dec. 1 in Taiwan, PC-cillin '95 is able to scan for viruses in any incoming or outgoing message. Trend Micro executives said.

If it detects a virus it immediately stores the infected message onto a blank page and alerts the user, who can then follow instructions to zap the unwelcome intruder.

Internet address: CyberScape@iht-lib.demon.co.uk

There are three or four new computer viruses in the world every day.

The Mystique of OPEC Wears Thin Gabon's Threat to Defect Saps Image of Oil Cartel

Compiled by the Staff from Despatches

VIENNA — A threat to defect by the African state of Gabon this weekend marked OPEC's enduring failure through the 1990s to act as an effective oil cartel.

Gabon told leaders of the Organization of Petroleum Exporting Countries that membership just was not worth the annual fees of \$1.8 million.

"OPEC is in a straitjacket," said Geoff Pyne, an energy economist who follows the cartel for the investment house UBS.

Time was when modest sellers like Gabon — and Ecuador, which quit in 1992 — tripped over each other's heels to sit down with the likes of Saudi Arabia at oil's top table.

But that was back at the end of the 1970s, when OPEC set prices at up to \$41 per barrel (42 U.S. gallons) and paraded as a mighty commodity cartel that would rewrite the global economic order.

But after recurrent glut, oil now languishes in the bargain basement. Prices below \$17 are scarcely better in real terms than when OPEC was founded 35 years ago.

And the oil ministers who meet formally in Vienna on Tuesday are likely to be to be to juggle production levels so as to ratchet prices back up again.

One failure of the cartel, say Western OPEC-watchers, is the way several of the

12 members persistently cheat on their mandated quotas.

Ironically, OPEC is also a victim of its own early success.

Sky-high prices of 25 years ago brought on vigorous Western investment in oil basins outside OPEC control, like those of the North Sea and Alaska.

As OPEC honors its quotas and chokes supply, outsiders like Britain and Norway turn on the tap, fill the void in the market and put a lid on prices.

"OPEC's current quota pact, which ministers will probably have no option but to extend for six more months, sets a ceiling on its production at 24.52 million barrels per day. But monitors say October volume exceeded this by about a million."

World oil demand, said the International Energy Agency on Nov. 8, is set to rise by 1.6 million barrels to 71.3 million in 1996. But incremental non-OPEC supply will be up by 1.8 million barrels.

Would-be speculators in oil futures worry about what might happen if the United Nations lifts its 1991 Gulf War embargo on the exports of Iraq. That country could probably soon sell 2.0 million barrels per day.

Besides extending current quotas and pleading for output discipline, the OPEC

talks this week may try to concoct a face-saving formula over the Gabon issue, to avoid publicly admitting it is no longer a full, fee-paying member.

Gabon's oil minister, Paul Toungui, flew briefly to Vienna on Saturday to see President Erwin Arrieta of Venezuela, who is also the current OPEC president, and Secretary General Rilwanu Lukman of Nigeria.

According to an OPEC source, Mr. Toungui and Finance Minister Jean Ping proposed a plan under which Gabon would remain a member of OPEC while paying a lower subscription. The two Gabonese officials then left for Paris. Mr. Toungui made no comment but said he would not return for the talks Tuesday.

The source played down comments by another OPEC delegate who said that Gabon could be offered an associate membership in the organization with no voting rights and no quota.

Aside from fees, small members such as Gabon find OPEC quotas irksome because these may deter foreign oil investors.

If the defection of Gabon is final, it will not alter the supply-demand balance. The country is already ignoring its quota, but output capacity is only about 350,000 barrels a day. The Saudis alone deliver 8.0 million barrels a day.

(Reuters, Knight-Ridder)

Asia Trade Reform Is Still Too Slow, Executives Say

By Michael Richardson
International Herald Tribune

OSAKA, Japan — Asian and Pacific business executives on Sunday welcomed new measures by their governments to hasten deregulation in the region, but they said the reforms were disappointing in two key areas: investment regulations and technical standards.

Tim Reid, president of the Canadian Chamber of Commerce, said that the liberalization blueprint adopted by leaders of APEC, the Asia-Pacific Economic Cooperation forum, was forward-looking, "but it's not happening fast enough from a business perspective."

He said the most critical shortfall was in investment reforms, where the leaders agreed only to vaguely worded commitments to end restrictions and ensure that foreign investors were treated no differently from local investors. The restrictions include limits on sectors where foreigners can invest, local equity requirements, and the need for multiple approvals.

Investment flows have now joined trade flows to become the driving force behind economic growth in the Asia-Pacific, Mr. Reid said. Yet each of the 12 principles in APEC's nonbinding investment code "has a major loophole for countries with restrictive investment practices," he said.

Julio A. Millan, chairman of Banco de Tecnologias SA, a diversified industrial group in Mexico, said that APEC needed a common investment code that was "fair, predictable and enforceable" if the region was to compete effectively for its share of the limited pool of global investment capital.

Helmut Sothen, chairman of World-Wide Shipping Agency Ltd. in Hong Kong, said he

was concerned that moves to introduce uniform product standards in the region might be slowed down instead of accelerated by APEC's collective action.

He said there was a risk that every act to remove impediments to trade, investment and business activity would be viewed "as a bargaining chip against other governments," resulting in delays in implementation and "an increase in political tension."

Business people say that the red tape involved in meeting different national standards for customs clearance and technical approval hinders trade and adds substantially to costs. "All of these things cost money and take time," said Gary L. Tooker, chief executive of Motorola Inc.

"If it was resolved, you could get product to the consumer faster and more cheaply."

While acknowledging that progress in investment liberalization was not as fast as they would like, officials of APEC countries said that the group had done some solid work to lay the basis for streamlining customs clearances and product acceptance on a regionwide basis.

"It's the unending story of APEC," said Joan Spero, the U.S. undersecretary of state for economic affairs. "We have set the stage for a lot of work that will be done on standards, testing and recognition."

Business executives also called on APEC to move more quickly to introduce measures to make it easier for businessmen to travel between, and take up temporary residence in, all APEC countries.

To reassure the private sector, APEC leaders on Sunday approved a plan to establish a permanent business advisory council that will report directly to them and to senior officials of the group.

Norway's Central Bank Chief Steps Down

Reuters

OSLO — The governor of the Norwegian central bank, Torstein Møland, is stepping down to make room for a new chief.

Mr. Møland, 50, who has headed the central bank since January 1994, said he had in-

formed Finance Minister Sigbjørn Johnsen he was resigning for personal reasons.

"There are limits to the amount of pressure I allow my family or myself to be exposed to," he said. "Enough is enough. I will now try to find a new job."

The opposition, which nearly felled the Labor minority gov-

ernment in a vote of no-confidence last year over Mr. Møland, had renewed calls for him to resign after he was ordered to pay a tax penalty.

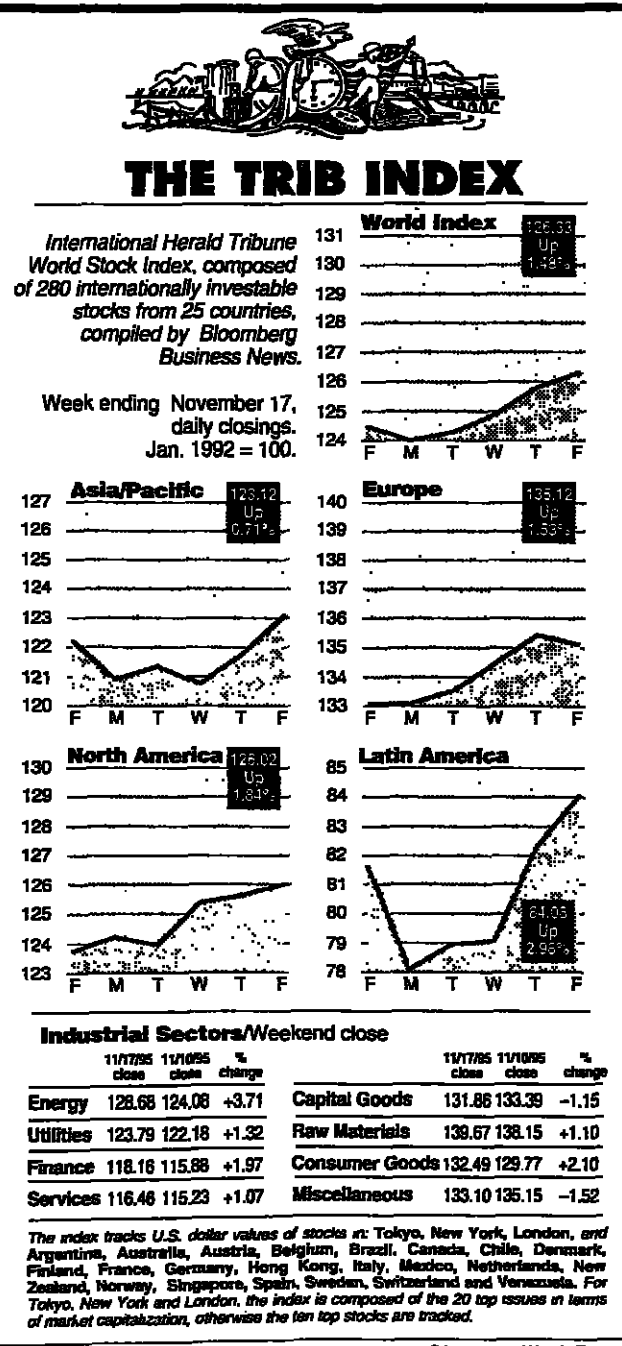
On Wednesday, Mr. Møland was charged a penalty tax for alleged gross negligence in a tax case that dates from 1990.

He protested his innocence and said he would appeal. No figure

was given for the penalty.

Norway's tax authorities have investigated allegations that Mr. Møland and dozens of others illegally invested in a partnership used for financing purchases of an Airbus Industrie passenger plane.

Mr. Møland had invested 75,000 kroner (\$12,113) in the project and claimed tax breaks.



CURRENCY RATES

Nov. 17

Currency	Unit	Rate	Currency	Unit	Rate
Australian dollar	100	74.15	Swiss franc	100	93.15
British pound	100	163.15	Taiwan dollar	100	23.45
Canadian dollar	100	71.15	Thai baht	100	35.15
French franc	100	166.15	Turkish lira	100	1.66
German mark	100	136.15	U.S. dollar	100	1.00
Italian lira	100	2036.15	Yen	100	109.15
Japanese yen	100	109.15			
South African rand	100	12.15			
Spanish peseta	100	166.15			
Swedish krona	100	8.15			
Swiss franc	100	93.15			
Taiwan dollar	100	23.45			
Thai baht	100	35.15			
Turkish lira	100	1.66			
U.S. dollar	100	1.00			
Yen	100	109.15			

Changes in Amsterdam, London, Milan, New York, Paris, Toronto and Zurich, findings in other centers.
a: To buy one pound in U.S. dollars; b: To buy one dollar in U.S. dollars; c: To buy one Swiss franc in U.S. dollars; d: To buy one yen in U.S. dollars; e: To buy one Australian dollar in U.S. dollars; f: To buy one Canadian dollar in U.S. dollars; g: To buy one French franc in U.S. dollars; h: To buy one German mark in U.S. dollars; i: To buy one Italian lira in U.S. dollars; j: To buy one Japanese yen in U.S. dollars; k: To buy one South African rand in U.S. dollars; l: To buy one Spanish peseta in U.S. dollars; m: To buy one Swedish krona in U.S. dollars; n: To buy one Swiss franc in U.S. dollars; o: To buy one Taiwan dollar in U.S. dollars; p: To buy one Thai baht in U.S. dollars; q: To buy one Turkish lira in U.S. dollars; r: To buy one U.S. dollar in U.S. dollars; s: To buy one Yen in U.S. dollars.

Forward Rates

Currency	30-day	60-day	90-day	180-day
British pound	1.6315	1.6315	1.6315	1.6315
Canadian dollar	0.7115	0.7115	0.7115	0.7115
French franc	0.16615	0.16615	0.16615	0.16615
German mark	0.13615	0.13615	0.13615	0.13615
Italian lira	2036.15	2036.15	2036.15	2036.15
Japanese yen	109.15	109.15	109.15	109.15
South African rand	12.15	12.15	12.15	12.15
Spanish peseta	166.15	166.15	166.15	166.15
Swedish krona	8.15	8.15	8.15	8.15
Swiss franc	93.15	93.15	93.15	93.15
Taiwan dollar	23.45	23.45	23.45	23.45
Thai baht	35.15	35.15	35.15	35.15
Turkish lira	1.66	1.66	1.66	1.66
U.S. dollar	1.00	1.00	1.00	1.00
Yen	109.15	109.15	109.15	109.15

Sources: JMG Bank (Amsterdam); Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Agence France-Presse (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (ISDR). Other data from Reuters and AP.

Publish or Perish, Or Become a Boss

By Erik Ipsen
International Herald Tribune

CORRE MULLEN, England — Norman Stobart knows as much about publishing as any man who has written seven novels and logged hundreds of rejections over the course of two decades.

But what separates Mr. Stobart from thousands of other frustrated authors is that he has taken that expediting experience and launched into the book business himself.

In 1993 he founded his own publishing company, New Era Writers Guild Ltd., in his brand-new mock Tudor tract home just outside of the historic English port town of Poole. "It was as a result of trying to get my own work established that I discovered what I saw as a niche," he said.

To some it might bear all the logic of putting a lid in charge of the cookie jar. In fact, friends of the 60-year-old third-generation East African gently tried to dissuade him.

With their "nice idea, Norman, but please don't" still ringing in his ears, Mr. Stobart pressed on.

After 40 years of owning and running string of ocean-going freighters out of Cape Town, he decamped two years ago for England, determined to turn the tables on a publishing industry he was convinced had lost its way.

"Publishers have gotten fixated on big-name writers, in part," he said. "Our idea is to promote new authors."

Having published 10 books and set the wheels in motion to add four to its list every quarter, New Guild is not exactly a leviathan in publishing circles, but it is on its way.

The big break came in August when W.H. Smith Group PLC, Britain's biggest bookseller, placed New Guild's largest order to date — four titles and a total of 3,500 books.

"It is a tough business, but he has now got some good authors," said Rosemary Bromley, owner of an agency that has worked with New Guild.

With his passion for books having consumed his life, and now threatening to swallow his life savings, Mr. Stobart has tried to tilt the odds in his favor by paying expenses to a minimum.

His 32-year-old daughter runs his Cape Town office, and his wife does the accounts in their front room, while Mr. Stobart pours over manuscripts at the dining table. All but one of his editors and readers at New Guild work part-time.

Still, Mr. Stobart figures that each book costs him from

£4,000 to £5,000 (\$6,175 to \$7,720) to publish, which works out to anywhere from 70 pence to £1.50 per copy, depending on the size of the print run.

In turn, he sells them at a cover price of £4.95 each, giving his authors royalties of 15 percent net and no advance.

Writers can widen their income by downsizing their pens and turning their hands to marketing. New Guild pays its now 200 members/ authors a 5 percent sales commission on each volume sold — theirs or anyone else's.

To become a New Guild member, writers pay annual dues of £15, a fee that grants them the right to submit as many manuscripts as they like. For its part, New Guild promises at least to send back a two-to-three page critique of the work and not just the industry's standard line "not suitable for our lists," which Mr. Stobart says he knows so well.

Titles are split evenly between fiction and nonfiction, which leans toward nautical themes.

His authors are a motley cast. Handling a series of well-thumbed manuscripts at his dining room table, Mr. Stobart reels off thumbnail biographies of their authors. "This chap's a teacher. This chap is an actor who manages a repertory company in Southampton. This chap is a broker up in Yorkshire. And we have now got a 19-year-old in Lancaster who writes science fiction."

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China Steel Boom Spurs Need for More Iron Ore

Reuters

HONG KONG — China's fast-growing steel industry is destined to become more reliant on iron ore imports, which could increase by as much as 50 percent by the year 2000, Western industry executives said.

"Irrespective of the economics of the industry, China can't expect to rely on domestic ore for the growth of steel production," an industry insider said.

"Ore imports could rise from 40 million tons to 60 million tons by the year 2000, with some caveats," another executive said, citing port bottlenecks, overburdened road and rail networks, and power shortages.

China will import between 30 million and 40 million tons of iron ore in 1995, the sources said, with about 60 percent coming from Australia and much of the rest from Brazil.

China's biggest steel producer, Shougang Corp., has its own iron ore mine in Peru and is expected by industry sources to be placing orders for 1996 with Australian producers.

According to official figures, China produced 91 million tons of steel in 1994 and 46.4 million in the first half of 1995. China's recently released nine-year plan for 1996 to 2000 lays down an annual steel production target of 140 million tons by the end of the century.

Salomon Brothers said earlier this year that China would dominate the global steel industry by the end of the century, with annual output of 110 million tons.

Shell Affirms Intent to Stay in Nigeria

THE HAGUE — Royal Dutch/Shell group has repeated that it will not pull out of Nigeria despite that country's recent execution of nine minority-rights activists.

As long as the United Nations does not impose an oil embargo, we will not leave Nigeria," the company's chairman, Cor Herkstroeter, said in an interview to be published Monday in the German newspaper Die Welt.

The British-Dutch oil company, a major investor in Nigeria, came under increasing pressure over the weekend to withdraw from the country after the execution Nov. 10 of the playwright Ken Saro-Wiwa and

eight other activists of the Ogoni minority. President Nelson Mandela of South Africa said Saturday he had asked the United States to impose an oil embargo on Nigeria and that he had received a "positive" response from President Bill Clinton.

"I asked the United States to apply oil sanctions," Mr. Mandela said at his home in Johannesburg several hours after he spoke to Mr. Clinton by telephone.

On Sunday, a senior official of South Africa's governing party renewed the call for economic sanctions against Nigeria.

Cyril Ramaphosa, secretary-general of the African National Congress, said an oil embargo by the United States and the Eu-

ropean Union would be very effective against Nigeria's military rulers.

The nine activists were hanged after being convicted by a military tribunal for the murder of four Ogoni chiefs who supported Nigeria's military government.

The executions drew widespread international condemnation from governments and human rights groups, some of which was directed at Royal Dutch/Shell.

Mr. Herkstroeter told Die Welt that it was "absurd" to accuse Royal Dutch/Shell of complicity in the executions.

"This isn't about Shell, it's a political conflict between the Nigerian government and the Ogonis," he said.

The Week Ahead: World Economic Calendar, Nov. 20-24

A schedule of the week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News

Asia-Pacific	Europe	Americas
Expected Singapore: Third-quarter gross domestic product; October trade figures. Taipei: Packaging Machinery & Materials show at World Trade Center Exhibition Hall from through Nov. 22; Managing Funds in Asia 1995 conference, focusing on Taiwan and other emerging markets, at Taipei Grand Hyatt Hotel, Nov. 20 - Nov. 21.	The Hague: Two-day Global Panel Conference starts. Among the speakers expected are former U.S. President George Bush and Yasser Arafat, chairman of the Palestine Liberation Organization, Nov. 23 - Nov. 24. Amsterdam: Fokker NV is expected to present details of a government rescue package at an extraordinary meeting of shareholders on Saturday.	Bogota: Colombia expected to complete the sale this week of 200 million Deutsche marks (\$143 million) in Eurobonds. Santiago: The Superintendency of Banks is expected to release information on financial system growth for October; National Chamber of Commerce announces figures for consumer spending in October.
Monday Nov. 20 Taipei: October export orders and industrial production index from the Ministry of Economic Affairs. Wellington: New Zealand unemployment for the July-September quarter.	Copenhagen: October consumer prices. London: Second estimate of third-quarter gross domestic product; provisional M-4 money supply figures. Rome: Producer prices and wholesale prices for September.	Ottawa: September retail trade data. Sao Paulo: Inflation rate for 30 days ended Nov. 15. Washington: The U.S. Agriculture Department releases its weekly report on planting progress for seven crops.
Tuesday Nov. 21 Melbourne: Coles Myer Ltd. holds annual shareholders meeting. Tokyo: September household spending; September machinery orders. Wellington: Provisional figures for New Zealand housing permits in October.	London: November digest of economic statistics. Paris: September industrial production. Rome: Preliminary consumer inflation for November. Voorburg, Netherlands: Industrial production for September and third quarter.	Mexico City: September retail sales; central bank releases foreign reserve levels. Ottawa: September international trade and wholesale trade data. Washington: September merchandise trade data.
Wednesday Nov. 22 Sydney: Qantas Airways Ltd. holds annual general meeting. Tokyo: September diffusion index from the Economic Planning Agency; Bank of Japan Governor Yasuo Mutsushita holds regularly scheduled news conference.	Paris: Final October consumer price index. Forecast: up 0.1 percent in the month, 1.8 percent in year. Stockholm: September retail sales; October trade balance figures. Voorburg, Netherlands: Third-quarter economic growth figures.	Ottawa: October consumer price index. Washington: Labor Department reports initial weekly state unemployment compensation insurance claims; Commerce Department reports second of three estimates of economic growth for the third quarter.
Thursday Nov. 23 Sydney: October new vehicle registration data; John Fairfax Holdings Ltd. holds annual meeting; Harvey Norman Holdings Ltd. holds annual meeting. Wellington: Wage costs for the July-September quarter; Food prices for November.	Amsterdam: ING Group NV will release its third-quarter earnings. Madrid: Third-quarter unemployment. Paris: Bank of France monetary policy council meets. Stockholm: Central Bank releases September current account figures.	Mexico City: Nominal third-quarter gross domestic product figures. Ottawa: September international securities transactions data. Santiago: Central Bank announces the monthly indicator of economic activity and trade figures for October.
Friday Nov. 24 Sydney: New private investment figures for the September quarter. Tokyo: Japan's city banks and several power companies are scheduled to report half-year earnings. Wellington: October overseas trade.	London: November monthly trends survey released by the Confederation of British Industry. Paris: September trade balance; October household consumption. Voorburg, Netherlands: October producer confidence index.	Ann Arbor, Michigan: University of Michigan releases its consumer sentiment index. Caracas: International reserves data. Mexico City: Consumer price index for the first two weeks of November. Ottawa: 1994 net farm income report.

Stocks Still Up? Are You Joking?

By Floyd Norris
New York Times Service

NEW YORK — Prices went up and up. And never was seen a discouraging trend. So it is for the stock market in 1995.

Last week, with politicians squabbling worse than ever and with talk of a possible default on Treasury securities, interest rates fell and the Dow Jones industrial average neared 5,000.

Few investors take the current budget battle seriously. There is great confidence that something will be worked out, bringing down the deficit and averting default.

So while prices rise, Wall Street tells jokes. Did you hear about the new types of Treasury bonds to be issued to avoid default? The Gingrich bonds have no maturity, the Dole bonds bear no interest, and the Clinton bonds have no principle.

To those brought up on traditional theories of value, reading the stock tables can seem like a joke as well. The Internet stocks, a category no one heard of before this year, show amazing levitation.

Unet Technologies Inc.,

an Internet-access company, went public in May with insiders selling shares at \$14. The shares closed at \$91.50 on Friday. The company has yet to earn an operating profit.

Spyglass Inc., a competitor, is making money. Its insiders sold at \$17 in May, but the stock hit \$102 Friday. That's 204 times profits.

But the most amazing part of the 1995 stock market has been the relentless way it rises. So far, the largest drop in the Standard & Poor's 500 index — the worst you could have done in those stocks with abysmal market timing — has been a dip of 2.4 percent.

There has never been a year without a bigger drop. This is occurring because of the massive commitment of individual investors to the stock market, largely through mutual funds. It is a trend brought on by baby boomers worried about retirement and convinced that stocks are the only long-term answer.

It is also a reminder to market seers that stocks go up because there are buyers willing to pay more, which may or may not be related to such things as profits and dividends.

German Firms Bewail Loss of Construction Jobs

Bloomberg Business News

BONN — The construction industry in Western Germany stands to lose about 40,000 jobs this year, partly because more foreign companies are entering the market, an industry group said Sunday.

"The job loss is based in great part on the penetration by South and West European low-wage companies into the German construction market," the Association of the German Construction Industry said.

The group sees a continuation of the trend in 1996. Unemployment among West German construction workers will average about 100,000 for 1995, 10 percent above last year.

Another cause is the slowdown in construction in the region, the group said. Construction declined by 0.5 percent in 1995 and will probably fall about 3 percent in 1996, it estimated.

In Eastern Germany, the number of workers is expected to increase by 25,000.

But the association said the growth in construction employment in the region was slowing, so that the industry cannot take so many workers from other sectors.

SHORT COVER

Germany Denies Eurofighter Deal

BONN (Reuters) — Germany on Sunday denied a press report that it would break months of deadlock over the planned Eurofighter aircraft by increasing the number of planes it would order in return for keeping its share of the production work.

A German Defense Ministry spokesman denied a weekend British press report that London and Bonn were proposing that Germany could keep its 30 percent share of production work on the plane in exchange for increasing its share of orders by 30 or 40 aircraft, to 180.

The aircraft, being jointly developed by four European companies, is two years behind schedule despite seven years work and investment totaling £12 billion (\$18.88 billion).

Unibanco of Brazil Absorbs Nacional

SAO PAULO (Bloomberg) — Unibanco SA of Brazil has said that it paid about 1 billion reais (\$1.04 billion) for Banco Nacional SA to form one of the three-largest nonstate banks in the country.

Unibanco said Saturday it would assume all of Nacional's commercial banking operations but noted that Nacional would open for normal operations on Monday.

Poland Weighs Delay in OECD Entry

WARSAW (Reuters) — Poland may delay a planned early 1996 entry into the Organization for Economic Cooperation and Development because of problems adjusting its banking laws, a Foreign Ministry official has said.

"We are hoping to get the membership only in summer next year," Zbigniew Szymanski, a deputy department head at the ministry, said Saturday. He said Poland was currently "70 percent" ready to join the OECD.

World Bank Pledges Support to Kiev

KIEV (Reuters) — The president of the World Bank, James D. Wolfensohn, pledged Sunday to provide Ukraine with annual assistance of about "\$1 billion over the next few years," but he urged the former Soviet republic to proceed with economic reforms.

He also said the bank wanted clear indications that Ukraine was "pushing forward with a privatization plan."

BONDS: Sensing the Rally's End

Continued from Page 18

currency and the bond markets remain vulnerable.

They said that the promised institutional changes in the operation of the health service will take time to be implemented, and the increased taxes and reduced spending hold the risk of slowing growth — putting in doubt the government's ability to meet its targeted fiscal deficit.

David Naudé at J. P. Morgan in Paris said he had reduced his forecast for next year's growth to 1.7 percent from 2.5 percent previously expected. The government forecast, on which its revenue estimates are based, is 2.8 percent.

Slower growth not only threatens the government's in-

come and spending targets, but the risk of increased unemployment also can be expected to challenge the credibility of adhering to the strict fiscal criteria needed to participate in a monetary union with Germany.

After the reduction in official French rates last week, which fueled a sharp rally in the bond market, analysts say further cuts now depend on a lowering of rates in Germany. It is widely assumed that the Bundesbank will cut its discount rate by the year-end by at least a quarter or a half-point from 3.5 percent.

The prospect of capital gains as bond prices rise on the back of lower official rates appears to be pulling money from Japan into the mark. The mark rose 2 percent against the yen last week.

NASDAQ NATIONAL MARKET

Consolidated trading for week ended Friday, Nov. 17.

(Continued)

Stocks	Div	Yld	High	Low	Chg	Open
IBM	3.90	5.8	125 1/4	124 3/4	+1/4	125 1/4
Microsoft	0.00	0.0	55 1/4	54 3/4	+1/4	55 1/4
Oracle	0.00	0.0	48 1/4	47 3/4	+1/4	48 1/4
Sun	0.00	0.0	38 1/4	37 3/4	+1/4	38 1/4
Verizon	0.00	0.0	28 1/4	27 3/4	+1/4	28 1/4
WorldCom	0.00	0.0	18 1/4	17 3/4	+1/4	18 1/4
Qwest	0.00	0.0	15 1/4	14 3/4	+1/4	15 1/4
Level 3	0.00	0.0	12 1/4	11 3/4	+1/4	12 1/4
Optimum	0.00	0.0	10 1/4	9 3/4	+1/4	10 1/4
Comcast	0.00	0.0	8 1/4	7 3/4	+1/4	8 1/4
Time Warner	0.00	0.0	6 1/4	5 3/4	+1/4	6 1/4
Amgen	0.00	0.0	5 1/4	4 3/4	+1/4	5 1/4
Genentech	0.00	0.0	4 1/4	3 3/4	+1/4	4 1/4
Novartis	0.00	0.0	3 1/4	2 3/4	+1/4	3 1/4
Pfizer	0.00	0.0	2 1/4	1 3/4	+1/4	2 1/4
Merck	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Johnson & Johnson	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Glaxo	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Schering-Plough	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Abbott	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eli Lilly	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Amgen	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Genentech	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Novartis	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Pfizer	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Merck	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Johnson & Johnson	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Glaxo	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Schering-Plough	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Abbott	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eli Lilly	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4

Stocks	Div	Yld	High	Low	Chg	Open
Boeing	0.00	0.0	75 1/4	74 3/4	+1/4	75 1/4
Lockheed Martin	0.00	0.0	65 1/4	64 3/4	+1/4	65 1/4
Raytheon	0.00	0.0	55 1/4	54 3/4	+1/4	55 1/4
Northrop Grumman	0.00	0.0	45 1/4	44 3/4	+1/4	45 1/4
General Dynamics	0.00	0.0	35 1/4	34 3/4	+1/4	35 1/4
Grumman	0.00	0.0	25 1/4	24 3/4	+1/4	25 1/4
Boeing	0.00	0.0	15 1/4	14 3/4	+1/4	15 1/4
Lockheed Martin	0.00	0.0	10 1/4	9 3/4	+1/4	10 1/4
Raytheon	0.00	0.0	8 1/4	7 3/4	+1/4	8 1/4
Northrop Grumman	0.00	0.0	6 1/4	5 3/4	+1/4	6 1/4
General Dynamics	0.00	0.0	5 1/4	4 3/4	+1/4	5 1/4
Grumman	0.00	0.0	4 1/4	3 3/4	+1/4	4 1/4
Boeing	0.00	0.0	3 1/4	2 3/4	+1/4	3 1/4
Lockheed Martin	0.00	0.0	2 1/4	1 3/4	+1/4	2 1/4
Raytheon	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Northrop Grumman	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
General Dynamics	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Grumman	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Boeing	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Lockheed Martin	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Raytheon	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Northrop Grumman	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
General Dynamics	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Grumman	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4

Stocks	Div	Yld	High	Low	Chg	Open
3M	0.00	0.0	45 1/4	44 3/4	+1/4	45 1/4
DuPont	0.00	0.0	35 1/4	34 3/4	+1/4	35 1/4
Eastman Chemical	0.00	0.0	25 1/4	24 3/4	+1/4	25 1/4
Windsor Chemical	0.00	0.0	15 1/4	14 3/4	+1/4	15 1/4
Eastman Chemical	0.00	0.0	10 1/4	9 3/4	+1/4	10 1/4
Windsor Chemical	0.00	0.0	8 1/4	7 3/4	+1/4	8 1/4
Eastman Chemical	0.00	0.0	6 1/4	5 3/4	+1/4	6 1/4
Windsor Chemical	0.00	0.0	5 1/4	4 3/4	+1/4	5 1/4
Eastman Chemical	0.00	0.0	4 1/4	3 3/4	+1/4	4 1/4
Windsor Chemical	0.00	0.0	3 1/4	2 3/4	+1/4	3 1/4
Eastman Chemical	0.00	0.0	2 1/4	1 3/4	+1/4	2 1/4
Windsor Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eastman Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Windsor Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eastman Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Windsor Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eastman Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Windsor Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eastman Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Windsor Chemical	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4

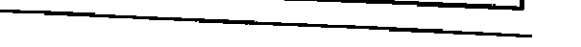
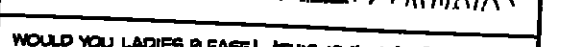
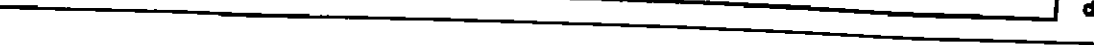
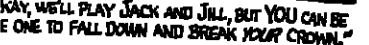
Stocks	Div	Yld	High	Low	Chg	Open
Amgen	0.00	0.0	15 1/4	14 3/4	+1/4	15 1/4
Genentech	0.00	0.0	10 1/4	9 3/4	+1/4	10 1/4
Novartis	0.00	0.0	8 1/4	7 3/4	+1/4	8 1/4
Pfizer	0.00	0.0	6 1/4	5 3/4	+1/4	6 1/4
Merck	0.00	0.0	5 1/4	4 3/4	+1/4	5 1/4
Johnson & Johnson	0.00	0.0	4 1/4	3 3/4	+1/4	4 1/4
Glaxo	0.00	0.0	3 1/4	2 3/4	+1/4	3 1/4
Schering-Plough	0.00	0.0	2 1/4	1 3/4	+1/4	2 1/4
Abbott	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eli Lilly	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Amgen	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Genentech	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Novartis	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Pfizer	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Merck	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Johnson & Johnson	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Glaxo	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Schering-Plough	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Abbott	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Eli Lilly	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Amgen	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4
Genentech	0.00	0.0	1 1/4	1 3/4	+1/4	1 1/4

Stocks		Div	Yld	High	Low	Chg	Open
Amgen	0.00	0.0	15 1/4	14 3/4	+1/4	15 1/4	
Genentech	0.00	0.0	10 1/4	9 3/4	+1/4	10 1/4	
Novartis	0.00	0.0	8 1/4	7 3/4	+1/4	8 1/4	
Pfizer	0.00	0.0	7 1/4	6 3/4	+1/4	7 1/4	
Schering	0.00	0.0	6 1/4	5 3/4	+1/4	6 1/4	
Schering-Plough	0.00	0.0	5 1/4	4 3/4	+1/4	5 1/4	
Schering-Plough	0.00	0.0	4 1/4	3 3/4	+1/4	4 1/4	
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Consolidated trading for week
ended Friday, Nov. 17.
(Continued)

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SPORTS

Flawless Florida and Ohio State Get Ready for Bowl Showdowns

The Associated Press

Second-ranked Ohio State and No. 3 Florida kept their national championship hopes alive and remained undefeated going into showdowns against their arch-rivals next week.

Eddie George rushed for 130 yards and two touchdowns as Ohio State beat Indiana, 42-3, on Saturday, while Chris Doering caught 11 passes for 169 yards and two scores in Florida's 38-7 victory over Vanderbilt.

In Columbus, Ohio, Bobby Hoving threw two TD passes to Terry Glenn and broke Ohio State's record for passing yardage in a season with 2,737. Hoving was knocked out of the game with a concussion in the third quarter, but team doctors said he should be available for next week's game against No. 12 Michigan.

Ohio State improved to 11-0 for the third time in school history, but the Buckeyes must beat the Wolverines to get the Big Ten's Rose Bowl berth.

A victory would give Ohio State a share of the conference crown with Northwestern, but the Buckeyes would go to Pasadena because they would have a better overall record than the Wildcats (10-1), who closed their regular season with a 23-5 victory over Purdue. An Ohio State loss would send Northwestern to the Rose Bowl.

"We're right where I thought we'd be," the Buckeyes' coach, John Cooper, said. "We go into every game thinking we're going to win. But I'm probably the only guy in here who thought we'd be 11-0."

George, locked in a tight Heisman Trophy race with Nebraska quarterback Tommie Frazier, sat out the fourth quarter against Indiana and finished with 130 yards, 29 under his average. Top-ranked Nebraska didn't play Saturday.

In Gainesville, Florida, Danny Wuerffel threw for 299 yards and two TDs, giving him 29 this season and a share of the Southeastern Conference record. But he failed to complete 50 percent for the first time all year, going 17-for-35 with one interception. Florida is 10-0 for the first time in school history.

The Gators can secure a spot in the Fiesta Bowl, most likely against Nebraska, with a victory against No. 6 Florida State next weekend.

No. 4 Tennessee 34, Kentucky 31 In Lexington, Kentucky, Peyton Manning passed for two touchdowns and ran for another in the second half as Tennessee rallied to beat Kentucky.

No. 5 Northwestern 23, Purdue 9 In West Lafayette, Indiana, Darrell Aury gained a career-high 226 yards as Northwestern

clinched a share of its first conference title since 1936. The Purdue fullback Mike Alstott became the Boilermakers' career rushing leader by gaining 71 yards on 16 carries.

No. 6 Florida St. 59, Maryland 17 In Tallahassee, Florida, Danny Kanell set an Atlantic Coast Conference record for career TD passes as Florida State (9-1) tied Virginia for the league title. Kanell was 24-of-34 for 346 yards and two TDs, giving him 56 in his career. Maryland's Jermaine Lewis caught nine passes, raising his career total to an ACC record 193.

No. 9 Colorado 27, No. 7 Kansas St. 17 In Manhattan, Kansas, John Hessler threw a 20-yard scoring pass to James Kidd with 1:04 left, giving Colorado a comeback victory and a trip to the Cotton Bowl. Both teams finished 9-2 overall and 5-2 in the Big Eight.

No. 8 Notre Dame 44, Air Force 14 In Colorado Springs, Colorado, Randy Kinder and Aury Denson each ran for more than 100 yards as Notre Dame (9-2) locked up a berth in the Orange or Sugar bowls.

No. 10 Texas 27, Texas Christian 19 In Austin, Texas, Shon Mitchell ran for two scores, including a 2-yard TD with 2:08 remaining. Texas (8-1-1) appeared to gain momentum after a controversial fourth-quarter fumble call that went against the Longhorns.

UCLA 24, No. 11 Southern Cal 20 In Los Angeles, Jim McElroy set up one touch-

down with a reception and threw for a TD as UCLA beat its crosstown rival for the fifth straight time. The Bruins (7-4) will go to the Aloha Bowl, while the Trojans (8-2-1) are headed to the Rose Bowl.

No. 19 Penn State 27, No. 12 Michigan 17 In State College, Pennsylvania, Wally Richardson threw two TD passes and Penn State scored on a fake field goal with 2:40 remaining. Stephen Pitts, a little-used senior injured for much of the season, ran for 164 yards.

No. 20 Virginia Tech 38, No. 13 Virginia 29 In Charlottesville, Virginia, Jim Druckenmiller threw a go-ahead TD pass to Jermaine Holmes with 47 seconds left, and Antonio Banks clinched it with a 65-yard interception return on the final play. Tech (9-2) clinched at least a share of the Big East title and remained in contention for the Orange or Sugar bowls.

LSU 28, No. 14 Arkansas 0 In Baton Rouge, Louisiana, a redshirted freshman, Kendall Cleveland, rushed for 102 yards and three touchdowns as LSU (6-4-1) became eligible for a bowl game. Arkansas (8-3) had previously clinched the SEC Western Division title and will play Florida for the league championship Dec. 2.

No. 15 Kansas 22, Oklahoma St. 17 In Stillwater, Oklahoma, Mark Williams threw for one touchdown and ran for another as Kansas (9-2) reached nine victories for the first time since 1968.

No. 16 Oregon 12, Oregon St. 10 In Eugene, Oregon, Joshua Smith, a freshman, kicked four field goals as Oregon earned a berth in the Cotton Bowl and handed Oregon State its 10th straight loss.

No. 21 Auburn 31, No. 17 Alabama 27 In Auburn, Alabama, Fred Beasley's 22-yard TD run and a late defensive stand lifted the Tigers (8-3) over the Crimson Tide (8-3).

No. 18 Texas A&M 56, Middle Tennessee St. 14 In College Station, Texas, Albert Connell caught a 61-yard TD pass on the second play of the game and Leeland McElroy ran for two scores in the first quarter as the Aggies (7-2) extended the nation's longest home winning streak to 31.

Magic Loses Game — and 2 Stars

Reuters

The Orlando Magic lost more than a game as Bimbo Coles' three-pointer with 20 seconds to play lifted the Miami Heat to a 93-90 victory over the Magic, which lost Penny Hardaway and Horace Grant to injuries.

Hardaway and Grant missed the final 3:15 minutes Saturday

NBA ROUNDUP

night after they were hurt in a loose-ball scramble that involved six players. Grant injured his left knee and was taken out on a portable stretcher while Hardaway, who scored 18 points, left with a muscle cramp in his right leg.

Dennis Scott, who scored 22 points, hit two key baskets to give Orlando a 90-87 lead with 2:32 to play.

Billy Owens finished with 20 points and Alonzo Mourning added 19 for Miami, which also got 16 points and 12 rebounds from Kevin Willis.

Joe Wolf, an Orlando reserve, added 16 points, including 10 in the fourth quarter, on 8-of-9 shooting for the Magic.

"It was special to beat them the way they beat us," said Coles, referring to Hardaway's layup with 1.2 seconds left in Orlando's 94-93 victory on Nov. 11. "It hurt me in the heart. Hopefully, this will hurt them the same way."

Pacers 118, SuperSonics 104 Reggie Miller scored 15 of his season-high 35 points in the third quarter as Indiana downed visiting Seattle.

Shawn Kemp had 27 points, 12 rebounds and nine assists for the Sonics, who dropped their fourth straight against Indiana.

The Pacers trailed 56-52 at halftime but began the third period with a 20-5 burst, including seven by Miller.

Cavaliers 93, Pistons 90 In Cleveland, Terrell Brandon scored 26 points, including a jumper with 1:48 to play that snapped a tie and lifted the Cavaliers to victory over Detroit.

Chris Mills added 20 for the Cavs, who have won back-to-back games after an 0-7 start and captured their first home game in four tries.

Hill finished with 24 points and Houston added 15 for Detroit, which dropped its eighth straight game at Cleveland.

Raptors 103, Bulls 102 In Washington, Damon Stoudamire, a rookie, scored 23 points, including a 14-footer with two seconds left that lifted Toronto to its first road victory in franchise history.

Alvin Robertson added 22 points for Toronto, which blew an 18-point lead before pulling out the victory.

Juwan Howard finished with 25 points and Robert Pack added 20 for the Bulls, who lost a chance to win when Cal-



Pistons' forward Grant Hill driving for the basket against Cleveland's Bobby Phillips.

bert Cheaney saw his 14-foot jumper bounce off the rim at the buzzer.

Nets 93, 76ers 79 In East Rutherford, New Jersey, Armon Gilliam scored 24 points and grabbed 11 rebounds as the Nets routed Philadelphia.

Kevin Edwards scored 13 points and P.J. Brown added 11 for New Jersey, which improved to 4-0 at home.

Clarence Weatherspoon scored 17 points and Jerry Stackhouse added 16 for Philadelphia, which has lost four straight by a combined 88 points.

Rockets 101, Nuggets 96 In Houston, Clyde Drexler scored 17 of his 21 points in the second half, including a key three-point play late in the game, as Houston extended its winning streak to four games.

Robert Horry scored 22 points for Houston. Bryant Stith scored 17 points and Dickembe Mutombo added 15 for Denver.

Spurs 106, Hornets 107 In San Antonio, Sean Elliott hit two free throws with four seconds remaining as the Spurs handed

Charlotte its fourth straight loss. Elliott finished with 21 points and David Robinson added 27 points and 14 rebounds.

Dell Curry sank three free throws for Charlotte with 20 seconds to play, tying the game 107-107. Larry Johnson missed a 20-footer from the right of the key as time ran out.

Johnson scored 28 points, Curry added 21 and Kendall Gill had 11 points, 12 assists and 10 rebounds for the Hornets.

Celtics 99, Bucks 93 In Milwaukee, Dino Radja scored 15 of his 21 points in the third quarter as Boston defeated Milwaukee.

Eric Williams and Sherman Douglas scored 18 for Boston. Vin Baker scored 26 points and grabbed nine rebounds, and Glenn Robinson added 22 for Milwaukee.

Suns 107, Trail Blazers 102 In Phoenix, Arizona, Wesley Person came off the bench to score 26 points and Charles Barkley added 20 as the Suns beat Portland.

Clifford Robinson scored 30

points and Aaron McKie had 19 points for the Trail Blazers, who have lost two straight and got a season-high 16 rebounds from Arvidas Sabonis.

Jazz 125, Timberwolves 102 Karl Malone scored nine of his 31 points in a second-quarter run as visiting Utah extended its winning streak to four games.

Malone made his final 12 shots and Chris Morris added 21 points for the Jazz. Isaiah Rider scored 24 points and Michael Williams added 14 for Minnesota, which has lost four straight games by a combined 73 points.

Warriors 121, Mavericks 108 In Oakland, California, Tim Hardaway and Latrell Sprewell each scored 27 points as Golden State beat Dallas to snap a three-game losing streak.

Chris Mullin scored 23 points and Hardaway dished out 12 assists for Golden State, which shot 60 percent (44-for-74) from the field.

Jamal Mashburn scored 32 points, including the team's first 10, and Jimmy Jackson added 20 for Dallas.

SCOREBOARD

Nov. 19

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Baseball

Eder Wins Her First World Cup Slalom

The Associated Press

BEAVER CREEK, Colorado — Elfi Eder of Austria packaged two solid runs to win a women's World Cup slalom for her first career victory in six seasons on the ski tour.

"It's kind of overwhelming," Eder said after her victory Saturday. "I felt very good in training yesterday and again this morning. I was looking for a top-five finish. That I could win was a pleasant surprise."

Eder, whose best previous World Cup finish was fourth in 1994, negotiated the first run over a steep, icy course in 39.11 seconds — 16-hundredths of a second faster than Edda Mutter of Germany.

On a tighter second-run course, Mutter missed a gate, and Eder had the fifth-fastest clocking for an aggregate time of 1 minute, 22.49 seconds.

Marianne Kjoerstad of Norway came from eighth place in the first run to wind up

second, 71-hundredths of a second back, despite doing a face-plant across the finish line.

"That was not planned," Kjoerstad said with a laugh.

Martina Ertl of Germany, who won a super-G at nearby Vail on Thursday, stood seventh after the first run but missed a gate on her second run.

Officials used the reverse-15 rule for the second run, instead of the controversial reverse-30 rule used in the men's giant slalom on Friday.

The International Ski Federation adopted the reverse-30 rule for this season, but gave race officials the option of changing to the more traditional reverse-15 if conditions warranted it.

Under the reverse-30, the top 30 finishers in the first run of giant slalom and slalom are to run in reverse order, meaning the leader would run 30th and be exposed to a rutted, deteriorating course. Officials

said the change was made to create more suspense for spectators and give more skiers a chance for a medal.

Officials implemented the reverse-30 rule in Friday's men's slalom but it did not distract Michael von Grünigen of Switzerland, who made up nearly a full second to capture his second straight men's World Cup giant slalom.

Von Grünigen reeled in the first-run leader, Lasse Kjus of Norway, and Urs Kaelin of Switzerland placed third to duplicate the top-three finish of last week's season opener in France.

Alberto Tomba of Italy, the defending World Cup overall, giant slalom and slalom champion, could finish no higher than seventh. Tomba ranked fourth after the first run, 1.77 seconds off Kjus's pace.

Tomba had no complaints about the rule after Friday's race, saying, "The course was good."

Lightning Strikes Vancouver for a 5-4 Victory

Reuters

Petr Klima's heroics proved that the Lightning could strike twice.

Klima set up the tying goal with 2.2 seconds left in the third period and then notched the game-winner at 2:06 of overtime as the Lightning rallied on Saturday night for its first-ever victory over the Vancouver Canucks, 5-4.

Klima took Roman Hamrlík's pass and beat Vancouver's goaltender, Kirk Mc-

Jersey's goaltender, Martin Brodeur, for Buffalo's fourth power-play goal of the game.

The Devils, who outshot the Sabres, 47-26, blew 2-0 and 4-2 leads and failed to score on three two-man advantages.

Flyers 4, Whalers 2 In Hartford, Connecticut, Karl Dykhus and Shjon Pedein scored 67 seconds apart in the second period, and Garth Snow stopped 21 shots to lift Philadelphia past the Whalers. Dykhus scored twice for the Flyers, who overcame Glen Wesley's two-goal afternoon for the Whalers.

Snow made several key saves in the final minute and Eric Lindros put his 14th goal into an empty net.

Braves 5, Blues 2 In Boston, Ray Bourque scored twice and added an assist and Scott Bailey made 36 saves and recorded his first National Hockey League victory in his second start as the Bruins broke a three-game winless streak with a victory over St. Louis.

Cam Neely, Don Sweeney and Jozef Stumpel each had a pair of assists for Boston.

Canadiens 5, Senators 1 In Montreal, defenseman Patrice Brisebois and Lyle Odelein each had a goal and an assist and Patrick Roy made 31 saves, leading the Canadiens past Ottawa.

Vincent Damphousse, Saku Koivu and Turner Stevenson also scored for Montreal, which posted its fourth straight victory and seventh straight against Ottawa.

Sean Hill, a former Canadian, scored the only goal for the Senators, who suffered their seventh straight loss.

Maple Leafs 2, Jets 1 In Toronto, Mats Sundin and Benoit Hogue scored and Felix

Potvin made 14 of his 21 saves in the final period as Toronto held off Winnipeg.

Potvin faced only eight shots over the first two periods, but Teemu Selanne scored short-handed with 8:30 left in the middle session to pull the Jets within 2-1.

Potvin made his biggest save of the game with three minutes left and the teams playing 4-on-4 when he stopped Keith Tkachuk's tip.

Penguins 3, Capitals 0 In Pittsburgh, Ken Wregget stopped 32 shots for his fifth career shutout and Jaromir Jagr set up all three goals as the Penguins defeated Washington's first-period barrage, as Joe Dziedzic's first NHL goal, at 13:21 of the first period was all Pittsburgh needed.

Bryan Smolinski tallied his second of the season at 5:50 of the second, and Mario Lemieux notched his league-leading 17th goal 3:46 later to make it 3-0.

Avalanche 5, Flames 2 Craig Wolanin had a goal and an assist as Colorado remained the only undefeated team at home in the NHL with a victory over Calgary.

Stephane Fiset stopped 28 shots for Colorado, which is 7-0-2 in its first season in Denver.

Kings 3, Panthers 2 In Los Angeles, Kevin Todd's short-handed goal early in the second period snapped a tie and Byron Dafoe stopped 32 shots as the Kings cooled off Florida. Rick Tocchet opened the scoring and Daniel Lacroix added a goal in the third period for Los Angeles.

John Vanbiesbrouck stopped 25 shots and Tom Fitzgerald and Jesse Belanger scored for Florida, which had its franchise-record eight-game unbeaten streak snapped.

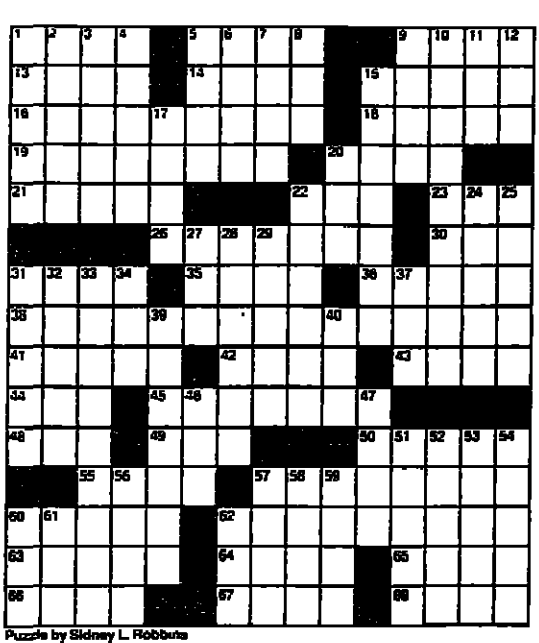
CROSSWORD

ACROSS

- 1 Late tennis V.I.P.
- 2 Immature salamander
- 3 Drying oven
- 4 Sammy Davis Jr. book "Yes"
- 5 Karate blow
- 6 Bodied seaman
- 7 Window cover
- 8 Stable diet?
- 9 Fix deep and tight
- 10 Approved
- 11 White House's Office
- 12 Considers
- 13 Mr. Onassis
- 14 Outbursts
- 15 Sticky stuff
- 16 Little troublemakers
- 17 Steppson of Emperor Claudius
- 18 Ballplayer's bobble
- 19 Finsky
- 20 John of "Tommy"
- 21 Dictator Idi
- 22 "Excited" (1984 hit)

DOWN

- 1 Yearned
- 2 Was brilliant
- 3 Multitude
- 4 Downs town
- 5 Blockheads
- 6 Have in one's bonnet
- 7 Winter transportation
- 8 Koppel or Kennedy
- 9 La Douce
- 10 Ancestor of a fox
- 11 Mimic
- 12 Actor Sparks
- 13 Contrives
- 14 Former "formerly"
- 15 Silver container
- 16 Handsome gent
- 17 Pays, as the bill
- 18 Remains of an ancient statue, maybe
- 19 Hotel
- 20 View
- 21 Fragrance
- 22 The worst
- 23 Free-for-all
- 24 Russian Revolution locale
- 25 Pavement caution
- 26 Reine's husband
- 27 Available, as a book
- 28 Opposite WSW
- 29 50's dances
- 30 Pub missile
- 31 West Indies Indian
- 32 Clear the board
- 33 Reduced to granules
- 34 Cooks a pie
- 35 Hitchcock thriller



Puzzles by Sidney L. Robbins © New York Times/Edited by Will Shortz

Solution to Puzzle of Nov. 17

STONE MASON CAST

OVERPROVES LADIE

BOB OREOS AMPS

SLAPS STRIP BEE

TRATE SMEE BRR

CLANCY RATTER

THINK REEFER

REF UNOS CUISSE

ORE PESTO SATUP

TOLL SCAPE ADS

OKIE TOTEBARDS

PENS OPERATIVES

FEET RESENTMENT

SPORTS

Ajax Strolls On; Milan Is Held By 17-Year Old Goalkeeper

Reuters
Ajax Amsterdam cruised to a 4-1 victory over Groningen on Sunday, extending its unbeaten run in the Dutch first division to 49 games and taking their goal tally after 15 matches to 55-5.

Jari Litmanen laid on the first goal for Patrick Kluivert, who missed on his first attempt but scored on the rebound. When

SOCCER ROUNDUP

Kluivert was fouled, Litmanen scored from the ensuing penalty. Ajax extended its lead in the 69th minute when midfielder Kiki Musampa set up Nigerian striker Nwankwo Kanu. PSV Eindhoven, in second, thrashed the bottom club, De Graafschap, 8-0 on Saturday.

ITALY In front of a record 28,000 crowd at Parma's Tardini stadium, Gorge Weah, Baggio, Gianfranco Zola and Stochkov were outshone by a 17-year-old debutant Parma's goalkeeper, Gianluigi Buffon.

Buffon emerged from his baptism by fire with a clean sheet and several magnificent saves. After 13 minutes he dived bravely at the feet of Stefano Eranio. He showed remarkable reflexes to tip Simone's snapshot from six meters round the post in the dying minutes.

The home team came closest to scoring in the 20th minute when Buffon's opposite number, Sebastiano Rossi, dived full-length to parry Zola's freekick.

Juventus, which started the day seventh, beat Fiorentina, 1-0, with a goal by Del Piero after 11 minutes. For the first time this season, the team managed to recreate its impressive European Cup form in the league with their midfield, led by Portugal's Paulo Sousa, rarely letting Fiorentina into the match.

Juve's victory was marred by clashes between rival fans before the match in which one fan suffered knife wounds.

GERMANY Lothar Matthaus returned to the Bayern Munich team Saturday after a long injury layoff and helped his team to a 2-0 Bundesliga victory over Werder Bremen — just one week after he resumed training. Matthaus played from the start, wearing the captain's armband. It was his first Bundesliga match since rupturing an Achilles tendon in January.



Jari Litmanen of Ajax, squeezed by Groningen's Arjan Blaauw, left, and Roel Liefde during their match Sunday.

ENGLAND The Ukrainian winger Andrei Kanchelskii scored his first goals for Everton to give his team a victory in the Liverpool derby.

Kanchelskii struck in the 53rd and 69th minutes at Anfield to thrust Everton to a 2-1 Premier League victory against Liverpool, for the first time in nine years.

In another clash of near neighbors, Tottenham beat its north London rival, Arsenal, 2-1, at home. Teddy Sheringham and a fellow striker, Chris Armstrong, scored for Tottenham after Dennis Bergkamp had put Arsenal ahead after only 14 minutes.

Newcastle United, the league leader, tied 1-1 at Aston Villa, allowing Manchester United, which took the lead against Southampton after 15 seconds and won, 4-1, to close in. The reigning champions, Blackburn Rovers, in 10th place beat Not-

tingham Forest, 7-0, ending the last unbeaten run in the Premier League.

Spain's Deportivo drew level on points with Atletico Madrid and Barcelona at the top of the Spanish first division with a tough 1-0 victory in a rain-soaked match at Menda on Sunday. A goal difference keeps Deportivo third, Barcelona beat Albacete 3-0 and Atletico lost, 1-0, to its neighbors Real Madrid on Saturday night.

A superb goal from the Paraguayan striker, Miguel Angel Benitez, with only five minutes gave Deportivo the victory.

The big Madrid derby game ended in a 1-0 victory for Real, which scored through its teenage striker, Raul Gonzalez.

Atletico had to play most of the second half without Josue Luis Camarero, who was sent off for the second week in succession after picking up two yellow cards.

It was Atletico's first defeat of the season and Raul's goal was the first it has conceded away. The result enabled Barcelona to go ahead of Atletico for the first time this season. But Barcelona's coach, Johan Cruyff, said he would have preferred a different result.

For a draw or even an Atletico victory would have been better, although we're still nine points ahead of Real Madrid," Cruyff said.

FRANCE Paris Saint-Germain managed only a goalless draw at lowly Lille on Saturday. The Paris club, which have won only once in Lille in eight years, stays in first place five points ahead of second-place Metz, which tied, 0-0, at Guingamp.

About 30 supporters of PSG were detained by police after fights erupted outside the stadium before the match.

England's Solace: Hope in Humiliation

International Herald Tribune
LONDON — Every humiliation, every bruise from the 24-1 thrashing administered Saturday by South Africa gave hope to England.

At least, the hope was there if England wanted to find it. Just three years ago, England devastated South Africa on the same

gorgeous field by 33-16, and the talk then was of

how far behind the Springboks had been left by two decades of isolation. Now everything has shifted: South Africa is the world champion, and England is the laggard. The only lesson for England is the hope that everything might change again in three years, before the 1999 World Cup.

"I don't think that is the England team we will necessarily end up with," said Jack Rowell, whose second season as England's manager began with a third consecutive loss. "After the World Cup, I said we will need to responsibly rebuild, and I said it will take a couple of years for the next England team to develop. Meanwhile, we have to develop a more open style within the traditional England game."

It won't happen quickly. He talked about recruiting national players from the lower divisions, from the schoolyards — about revamping the entire English system.

In the meantime, he had been hoping against reason for Mike Catt, at 24 the new England fly-half to light spark for him and for them. Catt had tried to create the mood by criticizing his predecessor, Rob Andrew, for kicking for position or for goals too often when he should have been setting up his backs. Then Catt let it be known that Francois Pienaar, the South African captain, was "only an average player."

Catt played worse than he had said Pienaar would. Everybody noticed it. In a TV booth, Andrew pointed out that his former teammates would have benefited from more tactical kicking. Afterwards, for the reporters, Rowell said the team hadn't been attacking from "responsible areas."

"I think Mike's had his leg pulled unmercifully by the England players all week, which might have led him to be rather tentative today," Rowell said. "He learned a hard lesson."

England was prodded to a higher level only after watching its captain, Will Car-

ling, lie on his back for seven minutes as his neck was immobilized before he was carried off on a stretcher. Carling was carried across the field to a strained applause. His teammates scored a try for him, touched down by his replacement, Phil de Glanville, and Jeremy Guscott showed more fire than he had throughout the World Cup.

Carling was diagnosed with a concussion. He said he will return for England's match here Dec. 16 against Western Samoa.

Those successful minutes underlined the work ahead for England, if it wants to catch up with its more dynamic rivals to the south. It is clearly No. 4 in the world, given its three-game losing streak to New Zealand (in the World Cup semifinal), France (in the third-place game), and the Springboks.

The Springboks have a winning streak of 14 tests. The world record is 16 by the All Blacks of the 1960s. South Africa resumes training in January for matches in Australia and New Zealand.

But those World Cup games were at home. This was at the newly enlarged Twickenham, before 75,000 who seemed eventually to lose their voices. The Springboks should have won by now. Joel Strunsky, who kicked them to the world title, missed six kicks on goal. (Strunsky's first-half punch to the face of England's Ben Clarke was ignored, vitally, Clarke was hospitalized with a broken cheekbone.)

England was relievedly within reach at 11-6 one minute into the second half when Joost van der Westhuizen, the highest-paid Springbok of the new professional age, spun and dodged like a high-wire acrobat with saucers and cups on his nose. Over 40 meters — and never more than a stride from the right touchline he broke a tackle, chipped over Rory Underwood, and scored justly in the arms of Catt. Chester Williams also scored two tries.

It is hard to believe anyone from the host team imagining such a thing was possible — never mind trying it. Well, they have three years to figure it out.

Kiwis Rout France
New Zealand crushed France 37-12 at Parc des Princes on Saturday. Reuters reported from Paris. Eric Rush, Glen Osborne, Ian Jones and Jonah Lomu scored tries for the All Blacks. Simon Culhane kicked five penalties. France had won the first test, 22-15, in Toulouse the week before and had also won both tests on its tour of New Zealand last year.

SCOREBOARD

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

Team	W	L	Pct	GB
Orlando	7	1	.875	0
New York	7	2	.778	1
Miami	5	2	.714	3
New Jersey	4	3	.571	4
Washington	3	4	.429	5
Philadelphia	2	6	.250	7

CENTRAL DIVISION

Team	W	L	Pct	GB
Chicago	7	1	.875	0
Atlanta	5	3	.625	2
Indiana	3	5	.375	4
Detroit	3	5	.375	4
Charlotte	3	5	.375	4
Toronto	2	7	.222	6
Cleveland	2	7	.222	6

WESTERN CONFERENCE

PACIFIC DIVISION

Team	W	L	Pct	GB
Houston	7	1	.875	0
Utah	6	2	.750	1
San Antonio	4	4	.500	3
Dallas	4	4	.500	3
Vancouver	2	7	.222	5
Minnesota	1	8	.111	6
Denver	1	8	.111	6

PACIFIC DIVISION

Team	W	L	Pct	GB
Sacramento	6	2	.750	0
LA Clippers	4	4	.500	2
Seattle	4	4	.500	2
LA Lakers	3	5	.375	3
Phoenix	4	4	.500	2
Golden State	3	5	.375	3
Portland	2	7	.222	4

FRIDAY'S RESULTS

Team	W	L	Pct	GB
Minnesota	18	28	.391	0
Toronto	18	28	.391	0
LA Clippers	18	28	.391	0
LA Lakers	18	28	.391	0
Phoenix	18	28	.391	0
Golden State	18	28	.391	0
Portland	18	28	.391	0

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